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## Market Analysis for Tucson Choice Neighborhoods Transformation Plan

November 19, 2020, updated March 2021



# bae urban economics

March 31, 2021

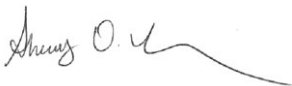
Alison Miller  
Principal Planner, Housing and Community Development  
City of Tucson  
310 N Commerce Park Loop  
Tucson, AZ 85745

Dear Ms. Miller,

On behalf of BAE Urban Economics, Inc., we are pleased to submit this Final Market Analysis for the Choice Neighborhoods Transformation Plan.

We are happy to answer any questions you may have about the Study, and it has been a pleasure working with you and your team on this important project.

Sincerely,



Sherry Rudnak, MA, LEED-AP  
Principal



Aaron Barker, MPL  
Senior Associate

**San Francisco**

2600 10<sup>th</sup> St., Suite 300  
Berkeley, CA 94710  
510.547.9380

**Sacramento**

803 2<sup>nd</sup> St., Suite A  
Davis, CA 95616  
530.750.2195

**Los Angeles**

448 South Hill St., Suite 701  
Los Angeles, CA 90013  
213.471.2666

**Washington DC**

1400 I St. NW, Suite 350  
Washington, DC 20005  
202.588.8945

**New York City**

49 West 27<sup>th</sup> St., Suite 10W  
New York, NY 10001  
212.683.4486

[www.bae1.com](http://www.bae1.com)

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# INTRODUCTION

The purpose of this Market Study is to analyze the potential demand for a range of housing types within Tucson's "Thrive in the 05" subarea (Target Area) over the next decade.

The study focuses in particular on supportable demand for new housing that might accompany the City's Thrive in the 05 Transformation Plan. This includes a potential repositioning of the existing Tucson House into a mixed-income project oriented towards seniors (Figure 1).

It also includes repurposing Target Area scattered sites in the City's affordable housing portfolio, and/or facilitating new ground-up development on City-controlled opportunity sites.

While the most current published projections from the Pima Association of Regional Governments (PAG) have a time horizon of the year 2045, this analysis focuses on demand over the medium term (ten years) to better align with development planning for the forthcoming Transformation Plan.

To better understand the economic context that informs the Target Area, the study first examines the size and nature of local employment generators, as well as the distribution of jobs by industry sector held by Target Area residents to identify workforce development opportunities.

Next, the study analyzes demographic and socioeconomic trends within the Target and Competitive Market Areas, highlighting factors such as population and household growth, age distribution, and educational attainment. The report also considers the broader context of housing affordability within the Target Area, including metrics such as median income, household size, and housing burden by tenure.

Finally, the study outlines development strategies and recommendations to help promote equitable housing, employment, and retail opportunities that benefit residents throughout the Target Area. This includes an overview of housing types not currently offered within the Target Area, as well as an identification of niches that the market could better serve.

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**Figure 1: Proposed Site Improvements for Tucson House Site Plan**

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Source: Draft Transformation Plan

## Limiting Conditions

This study presents an assessment of current and potential future support for development based on the identified data sources. Its purpose is to inform stakeholders on policies related to the redevelopment of Tucson House. Because of the limitations of the scope of this study, available data including any errors by data providers, and the methodologies used, along with the uncertainty inherent in long-term projections, actual development performance may vary considerably from what is presented here. Real estate conditions are dynamic and the analysis and findings presented in this study are subject to change at any time after the publication of this study based on changes due to macroeconomic conditions at the national and regional level; changes in legislation, regulations, and public policy actions; and decisions by developers, investors, firms, lenders, and other parties that may impact local market conditions and development potential.

## KEY FINDINGS

Thrive in the 05 (Target Area) is a vibrant, growing community, with the Tucson House as its center. The revitalization of the Tucson House, as envisioned in the City's Draft Transformation Plan, would create a community that is mixed-income, mixed-use, and allow senior residents the opportunity to age in place.

- Over the next decade, the neighborhood could generate demand for up to 771 additional households, as well as 601 new jobs. This is especially true as the area cultivates enhanced amenities such as parks, community retail, and open space, and continues to leverage existing assets such as proximity to downtown and historic character.
- The Target Area has added households at a faster rate than the City of Tucson over the past decade. Between 2010 and 2020, the Target Area grew by 378 households, or 8.2 percent. This exceeds household growth in both the Competitive Market Area (4.3 percent)<sup>1</sup> and citywide (6.1 percent).
- The Target Area enjoys strong regional connections with Downtown Tucson, which has seen significant new, market rate multifamily residential development over the past several years. The area can be expected to further capitalize on potential synergies with the downtown core, which offer “proof of concept” for underwriting new development projects.

### ***Key Demand Highlights and Projections***

- The Target Area's population growth projections are expected to outpace the larger trade area, both over the medium and long term.
- The Target Area could absorb an estimated 643 new households over the next decade under an “Accelerated” growth scenario, while 771 new households could potentially be absorbed in a “High Range” growth scenario.<sup>2</sup>
- According to PAG projections, the number of jobs in the Target Area is expected to grow by approximately 0.85 percent per year. Given the most recent employment count of 6,822 (Esri, 2020), this translates into approximately 601 new jobs over the next decade.

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<sup>1</sup> Boundaries for the trade area, or “Competitive Market Area”, are defined in the Methodology section.

<sup>2</sup> Detailed demand projection tables by product type can be found in the Supportable Demand Projections chapter.

### ***Demand Drivers – New Investments and Amenities***

- Oracle Road, a major north-south thoroughfare, has been proposed as a High Capacity Transit (HCT) route that could accommodate Bus Rapid Transit (BRT). This may include an HCT Station Area at the intersection of Oracle and Grant Road. If implemented, these transportation improvements will incentivize mixed-use, mixed-income transit-oriented development that will improve safety as well as connectivity in an area with low rates of car ownership.
- Pima Community College (PCC) recently broke ground on a \$60 million Center for Excellence in Applied Technology in the Target Area at its downtown campus. This investment will provide technical training to area residents, and expand PCC's downtown campus footprint further west, creating a campus-like environment at the northern edge of Downtown Tucson.
- The City of Tucson's Infill Incentive District (IID) is a land use tool that aims to encourage redevelopment in the Target Area by reducing parking requirements, increasing allowable building heights, and streamlining development standards. Based on the Future Growth Scenario Map from Plan Tucson (adopted in 2013), Ocotillo Oracle, along with Barrio Blue Moon and Balboa Heights, would be appropriate as mixed-use centers given the assets in these neighborhoods, including planned transportation and transit improvements.

### ***Demand Drivers -Demographic***

- *Demand for Senior Housing:* Residents aged 65 or older were the fastest growing of all age groups in the Target Area over the past decade, increasing by 43.6 percent between 2010 and 2020. Residents between 55 and 65, meanwhile, registered a 23.9 percent growth rate over the same time period.
- This cohort of “empty nesters” is expected to be one of Thrive in the 05's fastest growing segments in the coming years, and likely to downsize in exchange for the walkability and convenience of an urban village environment.
- *Demand for Family-Oriented Housing:* The Target Area also saw a 5.4 percent increase in the number of children under the age of 18. This stands in significant contrast to the Competitive Market Area (CMA) and City of Tucson, where the number of children under 18 actually declined. Children under the age of 18 also comprise over 24 percent of the Target Area's population, a higher share than the CMA and City.
- Despite the growing presence of family households, the Target Area's housing stock is characterized by significantly smaller sizes. Across all housing types (including affordable and market rate), the average residential unit is just 588 square feet within the Target Area, compared to 739 square feet in the CMA.

- At the same time, the average Target Area household size actually exceeds that of the CMA (2.35 persons per household, compared to 2.24). This suggests that there may be significantly fewer opportunities for family households in the Target Area to find housing that is not overcrowded.
- Recent residential construction and rehabilitation projects within the Target Area have done little to address this issue. Of the three affordable multifamily projects that have come online since 2010, over 87 percent of total units have been classified as one-bedrooms. No market-rate construction, meanwhile, has occurred since at least 2006, which further exacerbates the limited supply of larger units.

***The Thrive in the 05 initiative needs to address anti-displacement concerns.***

- “Cost-burdened” households, or those paying more than 30 percent of their income towards housing, comprise nearly 40 percent of households in the Target Area.
- One-in-five Target Area households are renters paying more than 50 percent of their incomes toward housing costs.

# METHODOLOGY

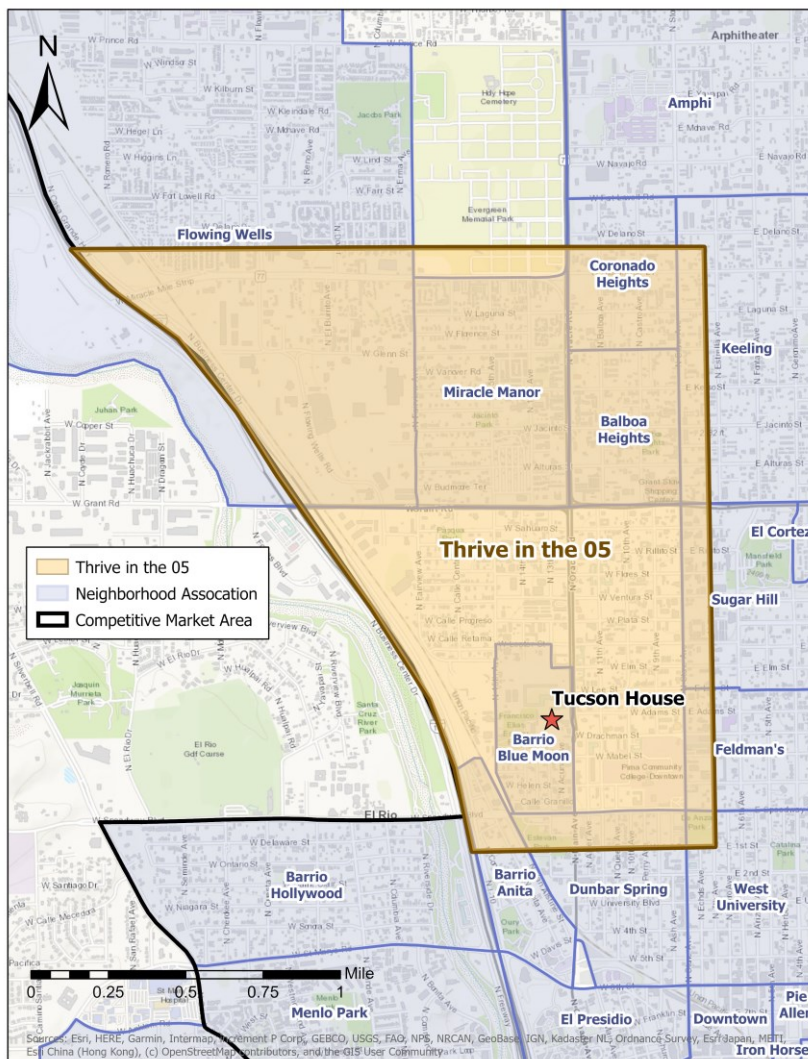
## Geographies

This Market Study focuses on the following geographies:

- Thrive in the 05 (Target Area)

Thrive in the 05 is a 2.6 square mile subarea bounded by Miracle Mile to the north, Speedway to the south, Stone Avenue to the west, and Interstate 10 to the west (Figure 2).

**Figure 2: Thrive in the 05 (Target Area) Boundary Map**



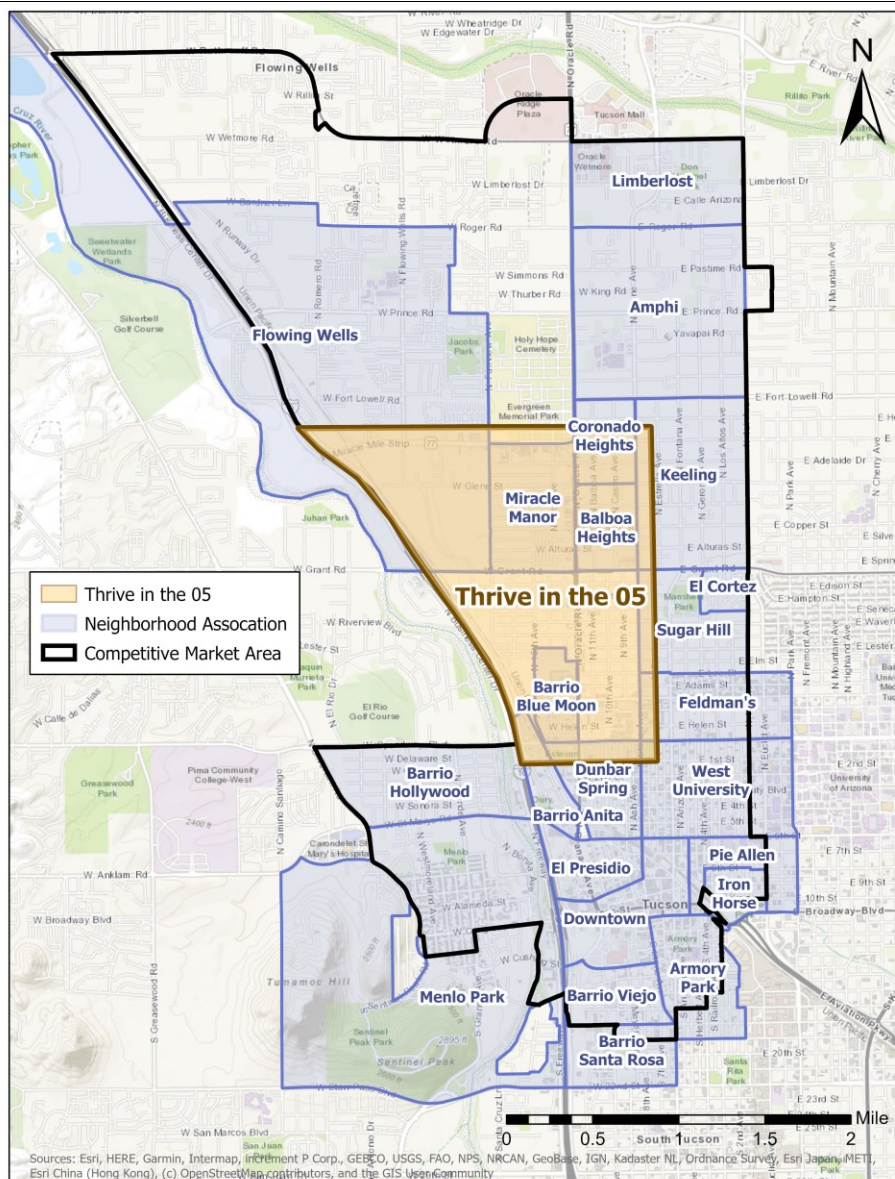
Sources: ArcGIS Pro, 2020; BAE, 2020.

- **Competitive Market Area (CMA)**

For benchmarking purposes, BAE compares the Target Area against a Competitive Market Area (CMA). Based on shared demographic characteristics and commute patterns, this area is most likely to generate the pool of households that would seek out development pipeline units in the Target Area.

The CMA comprises 46 contiguous census block groups and the Neighborhood Associations as shown in Figure 3.

**Figure 3: Competitive Market Area (CMA) Boundary Map**



Sources: ArcGIS Pro, 2020; BAE, 2020.

## Data Sources

BAE utilized the following data sources to complete the analysis:

- **Demographic information** was obtained from Esri, a third-party vendor that uses proprietary algorithms and spatial information to aggregate and update demographic and economic data, which is verified against U.S. Census data. The most recent year for which Esri data is available is 2020.

Some relevant demographic data points that are not reported by Esri were obtained from the U.S. Census Bureau American Community Survey (ACS), which is collected on a rolling basis for five-year periods at both the census tract and block group levels.

- **Multifamily and senior inventory, asking rents, bedroom counts, vacancy rates,** and other metrics were obtained through CoStar, a third-party provider of real estate market data. Q3 2020 was the most recent quarter for which data was available at the time of collection.
- **Home sales data** were obtained from CoreLogic, a third-party vendor of consumer, financial and property data. CoreLogic home sale datasets for the Target Area were obtained from ListSource, a CoreLogic database.
- **Employment figures and commute data** were obtained using Esri, as well as the U.S. Census Bureau's Longitudinal Employer-Household Dynamics (LEHD) tool, published by the US Census Bureau. Employment counts from LEHD are derived from the Quarterly Census of Earnings and Wages (QCEW), which covers workers with regular unemployment insurance (e.g., most, but not all wage and salary workers).
- **The homeownership and rental housing affordability analysis** was completed using 2013-2017 CHAS data, as well as 2020 income limits for Tucson as defined by HUD.
- **Demand projections** were sourced in part from the Pima Association of Governments (PAG) population, household, and employment growth projections at the Traffic Analysis Zone (TAZ) level. Actual 2020 household counts as reported by Esri were used to establish an accurate baseline upon which to calculate projected growth.

# ECONOMIC CONTEXT

## Labor Force and Jobs

The most common industry for Target Area residents to be employed in is Accommodation/Food Services (17.6 percent of resident employment), followed by Healthcare/Social Assistance (14.4 percent) and, Administrative/Support/Waste Management (12.3 percent). These three industries, along with Retail Trade and Construction, account for nearly 61 percent of the 4,266 employed residents of the Target Area.

Table 1 and Figure 4 compare resident employment to the number of local jobs by industry. Manufacturing, for example, accounts for 815 Target Area jobs (or, 11.9 percent of all jobs), but only 137 Target Area residents are employed in manufacturing. This mismatch also exists for Wholesale Trade, Construction, Retail Trade, and Information; that is, working residents of the Target Area are not employed by the largest employers in their neighborhood, which implies they commute out while workers commute in.

**Table 1: Resident Employment and Jobs by Industry, Thrive in the 05, 2020**

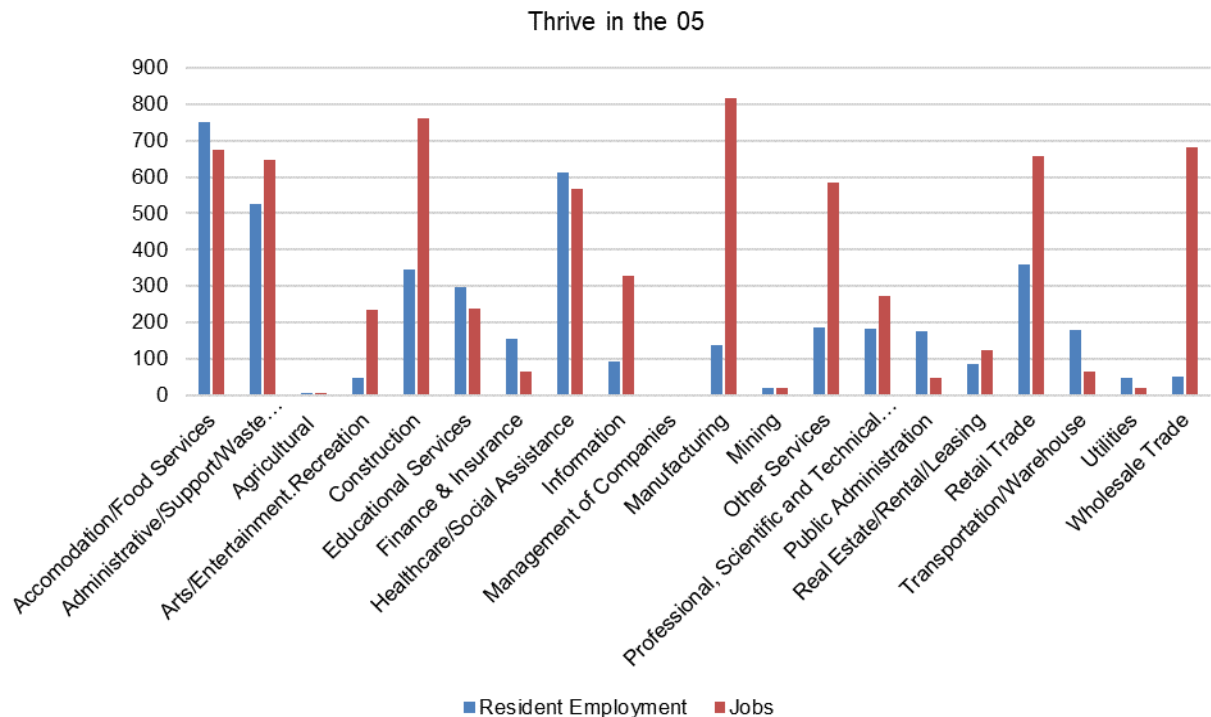
Industry	Thrive in the 05				Jobs per Emp. Resident	Pima County 2019 Avg. Annual Wage (a)
	Employed		Jobs			
	Residents					
	Number	Percent	Number	Percent		
Manufacturing	137	3.2%	815	11.9%	5.9	\$92,786
Construction	347	8.1%	763	11.1%	2.2	\$50,167
Wholesale Trade	50	1.2%	680	9.9%	13.6	\$65,408
Accommodation/Food Services	751	17.6%	674	9.8%	0.9	\$21,772
Retail Trade	361	8.5%	659	9.6%	1.8	\$31,587
Administrative/Support/Waste Mgmt.	525	12.3%	648	9.4%	1.2	\$34,118
Other Services	187	4.4%	583	8.5%	3.1	\$37,766
Healthcare/Social Assistance	613	14.4%	569	8.3%	0.9	\$48,486
Information	94	2.2%	330	4.8%	3.5	\$72,692
Professional, Scientific and Tech. Svcs.	184	4.3%	274	4.0%	1.5	\$69,353
Educational Services	296	6.9%	239	3.5%	0.8	\$38,528
Arts/Entertainment/Recreation	47	1.1%	235	3.4%	5.0	\$20,868
Real Estate/Rental/Leasing	87	2.0%	124	1.8%	1.4	\$46,417
Transportation/Warehouse	180	4.2%	67	1.0%	0.4	\$40,765
Finance & Insurance	157	3.7%	65	0.9%	0.4	\$68,485
Unclassified	0	0.0%	52	0.8%	0.0	n.a.
Public Administration	176	4.1%	48	0.7%	0.3	\$62,628
Utilities	47	1.1%	22	0.3%	0.5	\$92,642
Mining	22	0.5%	21	0.3%	1.0	\$84,290
Agricultural	5	0.1%	6	0.1%	1.2	\$36,358
Management of Companies	0	0.0%	0	0.0%	0.0	\$74,245
<b>Total, All Industries</b>	<b>4,266</b>	<b>100.0%</b>	<b>6,874</b>	<b>100.0%</b>	<b>1.6</b>	<b>\$48,996</b>

Note:

(a) Wage data were obtained from the Quarterly Census of Employment and Wages and reflect private employment only except for the public administration industry and the all-industries average.

Sources: Esri Business Analyst, 2020; Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2019; BAE, 2020.

**Figure 4: Resident Employment and Jobs in the Target Area, 2020**

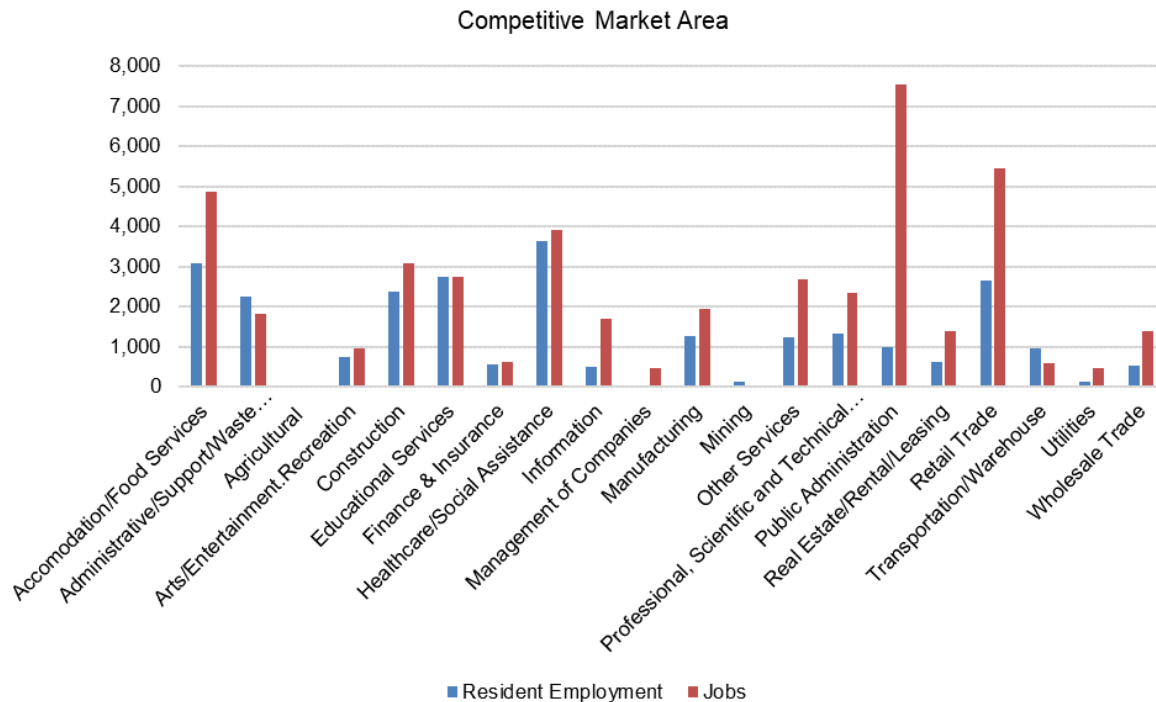


Sources: ESRI Business Analyst; BAE, 2020.

In the Competitive Market Area, industries with the most employed residents include Healthcare/Social Assistance (14.1 percent), Accommodation/Food Services (11.9 percent) and Educational Services (10.6 percent). Along with Retail Trade and Construction, these industries account for over half of the jobs of CMA residents.

As shown in Figure 5, the industries for which there is a discrepancy between resident employment and the number of jobs do not have a mismatch at the CMA level. For example, 4.9 percent of CMA residents are employed in manufacturing, while 4.4 percent of jobs in the area are manufacturing. In fact, the residents employed in Wholesale Trade, Retail Trade and Construction are roughly in proportion with the availability of jobs in these industries in the CMA.

**Figure 5: Resident Employment and Jobs in the Competitive Market Area, 2020**



Sources: ESRI Business Analyst; BAE, 2020.

### ***Resident Educational Attainment and Access to Key Occupations***

As detailed in the Demographics section, the Target Area reports nearly double the citywide percentage of residents age 25 or older without a high school diploma. Some of these residents may struggle with basic language skills or lack qualification to enter specialized technical and vocational programs that could connect them to stable and well-paying employment in the area. The Pima Community College (PCC) Downtown campus features Adult Basic Education for College and Careers programs, which include basic education in reading, writing, and math, English language acquisition for adults, and high school equivalency testing. This program can provide a crucial first step on the education-to-career pathway for Target Area residents.

Over one-quarter of Target Area residents age 25 or older have attended some college but do not hold a bachelor's or associate degree. An additional 6.8 percent hold an associate degree but not a bachelor's degree. Some of these residents may have received technical or vocational education to earn certifications or professional licensure. The additional 27 percent of residents with a high school diploma but no college experience may be appropriate to target for vocational training opportunities that would prepare them to access job opportunities in the area.

As noted above, the key industry sectors in the Target Area include manufacturing, construction, and wholesale trade. Jobs in these sectors generally do not require high levels of formal education but do demand extensive training, either on the job or through vocational education programs.

Table 2 reports the most common occupations in Arizona for the largest industry sectors by employment in the Target Area. It also reports the average annual wage for each occupation in the Tucson MSA, whether the occupation is forecast by BLS to add or lose jobs nationally by the end of the decade, and the typical required level of education for the occupation. It should be noted that the occupations shown in Table 2 are not necessarily the most common occupations within the Target Area itself; they are the most common occupations statewide among the most common industries of employment in the Target Area.

**Table 2: Common Occupations for Top Industries in the Thrive in the 05 Area, 2019-2020**

<b>Industries and Occupations</b>	<b>Occupation as % of Industry Emp. In Arizona (a)</b>	<b>Occupation Avg. Annual Wage in Tucson MSA (b)</b>	<b>Occupation Avg. Wage Above or Below Avg. (c)</b>	<b>Occupation Forecast to Grow or Decline 2019-2029 (d)</b>	<b>Occupation Typical Required Level of Education (e)</b>
<b>Manufacturing</b>					
Miscellaneous Assemblers & Fabricators	6.3%	\$32,720	Below Avg.	Decline	High school diploma or equiv.
Software Developers & Quality Assurance Analysts & Testers	3.7%	\$98,120	Above Avg.	Grow	Bachelor's degree
Inspectors, Testers, Sorters, Samplers, & Weighers	3.0%	\$48,640	Below Avg.	Decline	High school diploma or equiv.
First-Line Supervisors of Production & Operating Workers	2.9%	\$62,570	Above Avg.	Decline	High school diploma or equiv.
General & Operations Managers	2.6%	\$95,960	Above Avg.	Decline	Bachelor's degree
<b>Construction</b>					
Construction Laborers	10.7%	\$34,560	Below Avg.	Grow	No formal edu. credential
First-Line Supervisors of Construction Trades & Extraction Wrkrs.	8.2%	\$62,950	Above Avg.	Grow	High school diploma or equiv.
Carpenters	6.8%	\$37,750	Below Avg.	Grow	High school diploma or equiv.
Electricians	6.6%	\$47,340	Below Avg.	Grow	High school diploma or equiv.
Plumbers, Pipefitters, & Steamfitters	4.7%	\$46,650	Below Avg.	Grow	High school diploma or equiv.
<b>Wholesale Trade</b>					
Sales Reps, Wholesale & Manu., Technical & Scientific Products	11.2%	\$86,060	Above Avg.	Grow	Bachelor's degree
Stockers & Order Fillers	8.3%	\$28,330	Below Avg.	Decline	High school diploma or equiv.
Light Truck Drivers	4.9%	\$35,750	Below Avg.	Grow	High school diploma or equiv.
Heavy & Tractor-Trailer Truck Drivers	4.7%	\$45,510	Below Avg.	Grow	Postsecond. nondegree award
Office Clerks, General	4.4%	\$39,510	Below Avg.	Decline	High school diploma or equiv.
<b>Accommodation/Food Services</b>					
Fast Food & Counter Workers	17.8%	\$25,260	Below Avg.	Grow	No formal edu. credential
Waiters & Waitresses	15.7%	\$34,250	Below Avg.	Grow	No formal edu. credential
Cooks, Restaurant	10.2%	\$27,510	Below Avg.	Grow	No formal edu. credential
Cooks, Fast Food	6.9%	\$24,550	Below Avg.	Decline	No formal edu. credential
First-Line Supervisors of Food Preparation & Serving Workers	6.5%	\$35,130	Below Avg.	Grow	High school diploma or equiv.

*Continued on the following page.*

**Table 2: Common Occupations for Top Industries in the Thrive in the 05 Area, 2019-2020 (continued)**

<b>Industries and Occupations</b>	<b>Occupation as % of Industry Emp. In Arizona (a)</b>	<b>Occupation Avg. Annual Wage in Tucson MSA (b)</b>	<b>Occupation Avg. Wage Above or Below Avg. (c)</b>	<b>Occupation Forecast to Grow or Decline 2019-2029 (d)</b>	<b>Occupation Typical Required Level of Education (e)</b>
<b>Retail Trade</b>					
Retail Salespersons	24.3%	\$28,340	Below Avg.	Decline	No formal edu. credential
Cashiers	15.0%	\$26,100	Below Avg.	Decline	No formal edu. credential
Stockers & Order Fillers	8.9%	\$28,330	Below Avg.	Grow	High school diploma or equiv.
First-Line Supervisors of Retail Sales Workers	6.4%	\$43,880	Below Avg.	Decline	High school diploma or equiv.
Customer Service Representatives	3.1%	\$31,290	Below Avg.	Decline	High school diploma or equiv.
<b>Average for All Occupations, Tucson MSA, May 2019</b>		<b>\$49,110</b>			

**Notes:**

(a) Sourced from the Occupational Employment Statistics Research sample estimates for Arizona in May 2019.

(b) Sourced from Occupational Employment Statistics estimates, these data reflect average annual wages for the occupation, regardless of the industry in which the occupation is situated, in the Tucson MSA in May 2019.

(c) Notes whether the occupation's average annual wage is above or below the Tucson MSA's average annual wage for all occupations (\$49,110) in May 2019, according to Occupational Employment Statistics estimates.

(d) Notes whether occupational employment within the industry is forecast to grow or decline nationally between 2019 and 2029 according to the National Employment Matrix/Employment Projections program.

(e) Typical level of education required for occupation, regardless of the industry in which the occupation is situated, nationally in May 2019 according to the National Employment Matrix/Employment Projections program.

Sources: Bureau of Labor Statistics (BLS), Occupational Employment Statistics, 2019; BLS, National Employment Matrix, 2019; BAE, 2020.

Among the 25 occupations listed in Table 2, a majority are forecast to add jobs by 2029. However, only five occupations report higher-than-average wages for the Tucson area, and just three have both higher-than-average wages and growth potential. These are: first-line supervisors of construction trades and extraction workers; software developers and quality assurance analysts and testers; and sales representatives of wholesale, manufacturing, and technical and scientific products. Of those three growing, high-wage occupations, the latter two typically require a bachelor's degree. Supervisorial jobs in construction do not typically require a bachelor's degree, though they may require high levels of on-the-job experience and/or vocational training.

Occupations in the construction industry are particularly poised for growth and relatively accessible to workers with relatively low levels of formal educational attainment; none of the five most common occupations in construction require a bachelor's degree. Additionally, though most of their average wages are below the Tucson MSA's average annual wage, they are considerably higher than those of other occupations with low formal education requirements, such as retail salespersons and fast-food workers. Area residents may prepare themselves to access construction job opportunities in the area through specialized training at the nearby PCC Downtown campus, which offers an associate degree program in Building and Construction Technology. The program is specifically designed to prepare students for jobs in the local construction industry, offering hands-on coursework in carpentry, electrical, HVAC-R (heating, ventilation, air conditioning, and refrigeration), plumbing, and construction management.

PCC also offers programs in Automated Industrial Technology and Energy Technology, which are focused on preparing students for jobs in advanced manufacturing and emerging green energy technology jobs. While further education may be required beyond the community college level to qualify workers for the highest paying jobs in these sectors, the PCC programs can serve as a valuable introduction to an enriching and well-paying career path in technology. Other PCC Downtown campus programs include Automotive Technology, Machine Tool Technology, and Welding.

### ***Major Employers***

Table 3 shows the ten largest employers in the Target Area. Of these businesses, Beacon Group, PSE Archery, Air System, and Air System Components are all in the manufacturing industry, which corresponds with the relatively large share of manufacturing jobs in the area.

In total, there are approximately 663 businesses with an average of 10 employees in the Target Area, compared to 3,810 businesses with an average of 14 employees in the CMA. Therefore, most of the business in both areas are relatively small, with the largest businesses outside of public administration being manufacturers that are located in the Target Area specifically.

**Table 3: Ten Largest Employers, Target Area, 2020**

<b>Business Name</b>	<b>Industry</b>	<b>Employees</b>	<b>Sales (\$000s)</b>
Beacon Group	Manufacturing	300	\$64,080
Central Alarm Inc.	Admin. & Support & Waste Mgmt. & Remediation Svcs.	250	\$34,687
Curves Cabaret	Accommodation and Food Services	200	\$7,306
Pse Archery	Manufacturing	200	\$28,468
Cordillera Communications	Information	150	\$50,698
Koedyker & Kenyon	Construction	150	\$16,966
Td's Showclub	Arts, Entertainment, and Recreation	150	\$8,853
Tucson Police Dept-Westside	Public Administration	135	\$0
Air System	Manufacturing	123	\$15,128
Air Systems Components	Manufacturing	100	\$37,620

Sources: ESRI Business Analyst; BAE, 2020.

**Table 4: Ten Largest Employers, Competitive Market Area, 2020**

<b>Business Name</b>	<b>Industry</b>	<b>Employees</b>	<b>Sales (\$000s)</b>
El Rio Foundation Inc.	Health Care and Social Assistance	750	\$66,547
Fire Administration Dept.	Public Administration	701	\$0
Sun Tran	Public Administration	523	\$0
City of Tucson Water	Public Administration	500	\$0
Tucson City Hall	Public Administration	500	\$0
Uns Energy Corp.	Management of Companies and Enterprises	450	\$0
Pima County Attorney	Public Administration	400	\$0
Valenzuela W. G. Dry Wall Inc.	Construction	325	\$36,760
Beacon Group	Manufacturing	300	\$64,080
Precision Toyota of Tucson	Retail Trade	300	\$136,628

Sources: ESRI Business Analyst; BAE, 2020.

**Table 5: Jobs per Business, Thrive in the 05 Area, 2020**

Industry	Thrive in the 05				Jobs
	Businesses		Jobs		per
	Number	Percent	Number	Percent	Business
Manufacturing	37	5.6%	815	11.9%	22.0
Construction	61	9.2%	763	11.1%	12.5
Wholesale Trade	51	7.7%	680	9.9%	13.3
Accommodation/Food Services	46	6.9%	674	9.8%	14.7
Retail Trade	101	15.2%	659	9.6%	6.5
Administrative/Support/Waste Mgmt.	33	5.0%	648	9.4%	19.6
Other Services	103	15.5%	583	8.5%	5.7
Healthcare/Social Assistance	37	5.6%	569	8.3%	15.4
Information	14	2.1%	330	4.8%	23.6
Professional, Scientific and Tech. Svcs.	43	6.5%	274	4.0%	6.4
Educational Services	10	1.5%	239	3.5%	23.9
Arts/Entertainment/Recreation	11	1.7%	235	3.4%	21.4
Real Estate/Rental/Leasing	39	5.9%	124	1.8%	3.2
Transportation/Warehouse	14	2.1%	67	1.0%	4.8
Finance & Insurance	14	2.1%	65	0.9%	4.6
Unclassified	44	6.6%	52	0.8%	1.2
Public Administration	2	0.3%	48	0.7%	24.0
Utilities	2	0.3%	22	0.3%	11.0
Mining	1	0.2%	21	0.3%	21.0
Agricultural	0	0.0%	6	0.1%	0.0
Management of Companies	0	0.0%	0	0.0%	0.0
<b>Total, All Industries</b>	<b>663</b>	<b>100.0%</b>	<b>6,874</b>	<b>100.0%</b>	<b>10.4</b>

Sources: ESRI Business Analyst; BAE, 2020.

## Unemployment

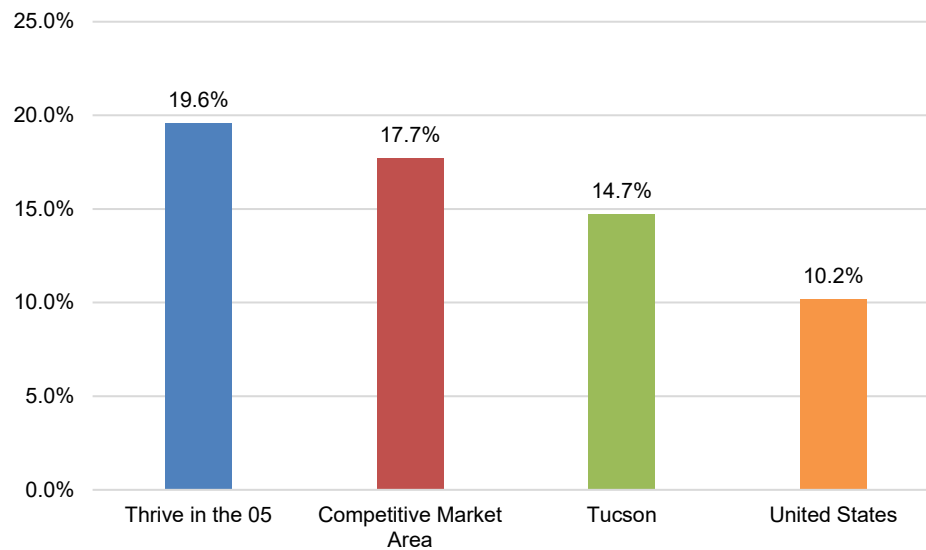
Unemployment data presented in Figure 6 are derived from Esri Business Analyst, and based on a point-in-time estimate from July 1, 2020. As the figure shows, the Target Area had nearly 20 percent unemployment at this time, compared to 17.7 percent in the Competitive Market Area. While high, and higher than Tucson's unemployment rate of 14.7 percent, these numbers are likely inflated by the impact of the COVID-19 pandemic on the economy.

The estimated national unemployment rate in July was 10.2 percent. Monthly data from the Bureau of Labor Statistics suggest that unemployment has fallen since the summer, to 6.9 percent in October 2020. While updated unemployment data do not exist for the specific Target Area and Competitive Market Area geographies, it is likely that unemployment rates in these areas have also fallen. Nonetheless, the influence of the pandemic on the economy is ongoing.

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**Figure 6: Unemployment Rate, July 2020**

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**Notes:**

(a) Unemployment rates are based on point-in-time data for July 1, 2020.

Sources: ESRI Business Analyst; BAE, 2020.

# SOCIOECONOMIC AND DEMOGRAPHIC CONTEXT

The population of the Target Area was 11,904 in 2020, which represents an 8.7 percent increase since 2010 (Table 6). This is more than double the rate of growth seen in the broader CMA (4.3 percent), and also exceeds that of the City of Tucson over the same time period (6.0 percent).

## Population and Households

The Target Area represents approximately 19 percent of the Competitive Market Area's population of 63,700. The Target Area has 4,979 households, compared to 27,908 in the CMA and 220,415 in Tucson, and the household growth rate in all three comparison geographies match the population growth rate. As a result of comparable population and household growth rates, average household size has remained constant in the comparison geographies. On average, there are approximately 2.35 average persons per household in the Target Area, which is slightly higher than the 2.24 average persons per household in the CMA. Both areas have comparable but smaller average household sizes than Tucson, however, which has an average 2.43 persons per household.

**Table 6: Population, Households, and Household Size, 2010-2020**

<b>Population</b>	<b>2010</b>	<b>2020</b>	<b>% Change 2010-2020</b>
Thrive in the 05	10,950	11,904	8.7%
Competitive Market Area	61,098	63,700	4.3%
Tucson	526,285	557,827	6.0%
<b>Households</b>	<b>2010</b>	<b>2020</b>	<b>% Change 2010-2020</b>
Thrive in the 05	4,601	4,979	8.2%
Competitive Market Area	26,750	27,908	4.3%
Tucson	207,728	220,415	6.1%
<b>Average Household Size</b>	<b>2010</b>	<b>2020</b>	<b>% Change 2010-2020</b>
Thrive in the 05	2.34	2.35	0.4%
Competitive Market Area	2.24	2.24	0.0%
Tucson	2.43	2.43	0.0%

Sources: ESRI Business Analyst; BAE, 2020.

## Age

The median age in the Target Area is 31.9 years, compared to 30.5 years in 2010. As shown in Table 7, this corresponds with trends in the CMA and Tucson, where the median age is the same in 2020, at 33.5 years. The Target Area saw a 5.4 percent increase in the population

aged under 18, which fell by approximately two percent in the CMA and Tucson. Children under the age of 18 comprise 24 percent of the Trade Area's population, the highest among the three geographies. In addition, people aged between 25 and 34 years increased at a faster rate in the Target Area (34.5 percent) compared to the CMA (20.3 percent) and Tucson (15.6 percent). Finally, although at 10.8 percent, people aged 65 or older account for a smaller share of the Target Area population than the CMA and Tucson, this age cohort grew at the fastest rate over the past decade in the Trade Area, at 43.6 percent.

**Table 7: Age Distribution, 2010-2020**

<b>Thrive in the 05</b>	<b>2010</b>		<b>2020</b>		<b>% Change 2010-2020</b>
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	
Under 18	2,709	24.7%	2,856	24.0%	5.4%
18-24	1,832	16.7%	1,553	13.0%	-15.2%
25-34	1,600	14.6%	2,152	18.1%	34.5%
35-44	1,404	12.8%	1,401	11.8%	-0.2%
45-54	1,442	13.2%	1,332	11.2%	-7.6%
55-64	1,069	9.8%	1,324	11.1%	23.9%
65 or older	896	8.2%	1,287	10.8%	43.6%
<b>Total</b>	<b>10,952</b>	<b>100%</b>	<b>11,905</b>	<b>100%</b>	

<b>Median Age</b>	<b>30.5</b>	<b>31.9</b>
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<b>Competitive Market Area</b>	<b>2010</b>		<b>2020</b>		<b>% Change 2010-2020</b>
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	
Under 18	13,669	22.4%	13,438	21.1%	-1.7%
18-24	9,586	15.7%	8,451	13.3%	-11.8%
25-34	9,606	15.7%	11,552	18.1%	20.3%
35-44	7,462	12.2%	7,541	11.8%	1.1%
45-54	7,672	12.6%	6,946	10.9%	-9.5%
55-64	6,206	10.2%	7,125	11.2%	14.8%
65 or older	6,897	11.3%	8,647	13.6%	25.4%
<b>Total</b>	<b>61,098</b>	<b>100%</b>	<b>63,700</b>	<b>100%</b>	

<b>Median Age</b>	<b>32.3</b>	<b>33.5</b>
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<b>Tucson</b>	<b>2010</b>		<b>2020</b>		<b>% Change 2010-2020</b>
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	
Under 18	123,089	23.4%	120,581	21.6%	-2.0%
18-24	75,112	14.3%	71,272	12.8%	-5.1%
25-34	79,147	15.0%	91,488	16.4%	15.6%
35-44	64,013	12.2%	67,320	12.1%	5.2%
45-54	67,059	12.7%	60,562	10.9%	-9.7%
55-64	55,469	10.5%	62,754	11.2%	13.1%
65 or older	62,396	11.9%	83,849	15.0%	34.4%
<b>Total</b>	<b>526,285</b>	<b>100%</b>	<b>557,826</b>	<b>100%</b>	

<b>Median Age</b>	<b>32.3</b>	<b>33.5</b>
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Sources: ESRI Business Analyst; BAE, 2020.

### ***Race and Ethnicity***

Hispanic or Latino residents account for 57.9 percent of the Target Area population, increasing by 19.8 percent since 2010. This is comparable to the Competitive Market Area, where

Hispanic or Latino resident comprise 52.4 percent of residents, although in 2010 this was just under 50 percent. The rate of growth in the Hispanic or Latino population in the CMA (16.2 percent) is roughly in line with Tucson (16.6 percent). Citywide, Hispanic and Latino residents account for 46 percent of the population.

**Table 8: Racial and Ethnic Distribution, 2010-2020**

Trade Area	2010		2020		% Change 2010-2020
	Number	Percent	Number	Percent	
<b>Hispanic/Latino</b>	5,748	52.5%	6,887	57.9%	19.8%
<b>Not Hispanic/Latino</b>	5,202	47.5%	5,016	42.1%	-3.6%
White	3,524	32.2%	3,130	26.3%	-11.2%
Black/African American	610	5.6%	674	5.7%	10.5%
Native American	494	4.5%	507	4.3%	2.6%
Asian	306	2.8%	396	3.3%	29.4%
Native Hawaiian/Pacific Islander	23	0.2%	28	0.2%	21.7%
Other	17	0.2%	16	0.1%	-5.9%
Two or More Races	228	2.1%	265	2.2%	16.2%
<b>Total</b>	<b>10,950</b>	<b>100%</b>	<b>11,903</b>	<b>100%</b>	

Competitive Market Area	2010		2020		% Change 2010-2020
	Number	Percent	Number	Percent	
<b>Hispanic/Latino</b>	28,751	47.1%	33,400	52.4%	16.2%
<b>Not Hispanic/Latino</b>	32,346	52.9%	30,299	47.6%	-6.3%
White	25,319	41.4%	22,414	35.2%	-11.5%
Black/African American	2,395	3.9%	2,612	4.1%	9.1%
Native American	1,522	2.5%	1,559	2.4%	2.4%
Asian	1,764	2.9%	2,192	3.4%	24.3%
Native Hawaiian/Pacific Islander	90	0.1%	101	0.2%	12.2%
Other	71	0.1%	69	0.1%	-2.8%
Two or More Races	1,185	1.9%	1,352	2.1%	14.1%
<b>Total</b>	<b>61,097</b>	<b>100%</b>	<b>63,699</b>	<b>100%</b>	

Tucson	2010		2020		% Change 2010-2020
	Number	Percent	Number	Percent	
<b>Hispanic/Latino</b>	219,085	41.6%	255,424	45.8%	16.6%
<b>Not Hispanic/Latino</b>	307,200	58.4%	302,402	54.2%	-1.6%
White	247,745	47.1%	232,736	41.7%	-6.1%
Black/African American	23,770	4.5%	26,763	4.8%	12.6%
Native American	8,841	1.7%	9,291	1.7%	5.1%
Asian	14,509	2.8%	18,993	3.4%	30.9%
Native Hawaiian/Pacific Islander	973	0.2%	1,094	0.2%	12.4%
Other	796	0.2%	769	0.1%	-3.4%
Two or More Races	10,566	2.0%	12,756	2.3%	20.7%
<b>Total</b>	<b>526,285</b>	<b>100%</b>	<b>557,826</b>	<b>100%</b>	

Sources: ESRI Business Analyst; BAE, 2020.

## Household Characteristics

### *Household Composition*

The Target Area includes a smaller share of Census-defined family<sup>3</sup> households than the City of Tucson (43.0 percent versus 57.0 percent). Over the past decade, however, family households have grown at a faster rate than both the CMA and the City (Table 9).

It should be noted that non-family households as defined by the U.S. Census Bureau may include elderly residents living alone (such as in the Tucson House). According to recent demographics report, some 87 percent of Tucson House units are occupied by one individual, which may contribute to this larger share of non-family households in the Target Area. Such households grew at a slightly faster rate than family households between 2010 and 2020, although this was also the case in the CMA and broader City.

**Table 9: Household Composition, 2010-2020**

<b>Thrive in the 05</b>	<b>2010</b>		<b>2020</b>		<b>% Change 2010-2020</b>
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	
Family Households	2,011	43.7%	2,139	43.0%	6.4%
Non-Family Households	2,590	56.3%	2,840	57.0%	9.7%
<b>Total</b>	<b>4,601</b>	<b>100%</b>	<b>4,979</b>	<b>100%</b>	<b>8.2%</b>

<b>Competitive Market Area</b>	<b>2010</b>		<b>2020</b>		<b>% Change 2010-2020</b>
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	
Family Households	12,375	46.3%	12,544	44.9%	1.4%
Non-Family Households	14,375	53.7%	15,364	55.1%	6.9%
<b>Total</b>	<b>26,750</b>	<b>100%</b>	<b>27,908</b>	<b>100%</b>	<b>4.3%</b>

<b>Tucson</b>	<b>2010</b>		<b>2020</b>		<b>% Change 2010-2020</b>
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	
Family Households	117,614	56.6%	122,995	55.8%	4.6%
Non-Family Households	90,114	43.4%	97,420	44.2%	8.1%
<b>Total</b>	<b>207,728</b>	<b>100%</b>	<b>220,415</b>	<b>100%</b>	<b>6.1%</b>

Sources: ESRI Business Analyst; BAE 2020.

<sup>3</sup> A family household is a household maintained by a householder who is in a family, which is defined by two or more people residing together and related by birth, adoption, or marriage. A family household can also include any unrelated people (unrelated subfamily members and/or secondary individuals) who may be residing there.

## Income Characteristics

### *Household Income*

The household income distribution in 2020 for the Target and Competitive Market Areas, shown in Table 10, reveal relatively low median and per capita incomes. The median household income in the Target Area is just under \$21,000, while the median income in the CMA is just under \$30,000. These are significantly lower than the citywide median income of \$44,316. Over 80 percent of Target Area households earn less than \$50,000, compared to 71 percent in the CMA and 55 percent in Tucson. Only 3.3 percent of households earn over \$100,000 in the Target Area, compared to 8.0 percent in the CMA, and 15.4 percent in Tucson.

Interestingly, there is relatively large cohort of households earning between \$50,000 and \$74,999 in the Target Area accounting for 12.4 percent of households, which is notable because this income range is between two to four times the median income for the area. In total, 22.3 percent of households earn over \$50,000 in the Target Area.

**Table 10: Income Distribution, 2020**

Income Category	Thrive in the 05		Competitive Market Area		Tucson	
	Number	Percent	Number	Percent	Number	Percent
<\$15,000	1,774	35.6%	7,364	26.4%	32,459	14.7%
\$15,001-\$24,999	1,025	20.6%	4,905	17.6%	28,580	13.0%
\$25,000-\$34,999	491	9.9%	3,213	11.5%	23,835	10.8%
\$35,000-\$49,999	723	14.5%	4,331	15.5%	36,396	16.5%
\$50,000-\$74,999	619	12.4%	4,196	15.0%	41,537	18.8%
\$75,000-\$99,999	180	3.6%	1,672	6.0%	23,036	10.5%
\$100,000-\$149,999	110	2.2%	1,377	4.9%	21,611	9.8%
\$150,000-\$199,999	42	0.8%	526	1.9%	7,951	3.6%
>\$200,000	17	0.3%	324	1.2%	5,005	2.3%
<b>Total</b>	<b>4,981</b>	<b>100.0%</b>	<b>27,908</b>	<b>100.0%</b>	<b>220,410</b>	<b>100.0%</b>
<b>Median HH Income</b>	<b>\$20,978</b>		<b>\$29,538</b>		<b>\$44,316</b>	
<b>Per Capita Income</b>	<b>\$14,178</b>		<b>\$19,136</b>		<b>\$24,048</b>	

Sources: ESRI Business Analyst; BAE 2020.

### *Educational Attainment*

The relatively low incomes of the Target and Competitive Market Areas correspond to the distribution of educational attainment among residents aged 25 and over. Table 11 shows that three-quarters of Target Area residents aged over 25 have a high school diploma or higher, and just over ten percent have completed less than 9<sup>th</sup> grade. Just under 80.0 percent have a high school diploma or higher in the CMA, which is also below Tucson's 86.1 percent. Similarly, the rates of educational attainment beyond a bachelor's degree are 16.4 and 22.1

percent, respectively, in the Target Area and CMA, which are much lower than the 28.2 rate citywide.

**Table 11: Educational Attainment, 2020**

<b>Educational Attainment</b>	<b>Thrive in the 05</b>		<b>Competitive Market Area</b>		<b>Tucson</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Less than 9th Grade	765	10.2%	3,546	8.5%	19,648	5.4%
9th to 12th Grade, No Diploma	1,098	14.6%	4,904	11.7%	31,264	8.5%
High School Graduate or Equivalent	1,997	26.6%	10,720	25.6%	86,636	23.7%
Some College, No Degree	1,893	25.3%	10,301	24.6%	91,925	25.1%
Associate Degree	512	6.8%	3,120	7.5%	33,453	9.1%
Bachelor's Degree	954	12.7%	5,834	14.0%	61,616	16.8%
Graduate/Professional Degree	276	3.7%	3,386	8.1%	41,430	11.3%
<b>Total</b>	<b>7,495</b>	<b>100.0%</b>	<b>41,811</b>	<b>100.0%</b>	<b>365,972</b>	<b>100.0%</b>
 <b>High School Diploma or Higher</b>	 <b>5,632</b>	 <b>75.1%</b>	 <b>33,361</b>	 <b>79.8%</b>	 <b>315,060</b>	 <b>86.1%</b>
 <b>Bachelor's Degree or Higher</b>	 <b>1,230</b>	 <b>16.4%</b>	 <b>9,220</b>	 <b>22.1%</b>	 <b>103,046</b>	 <b>28.2%</b>

Sources: Esri Business Analyst; BAE, 2020.

# HOUSING AFFORDABILITY ANALYSIS

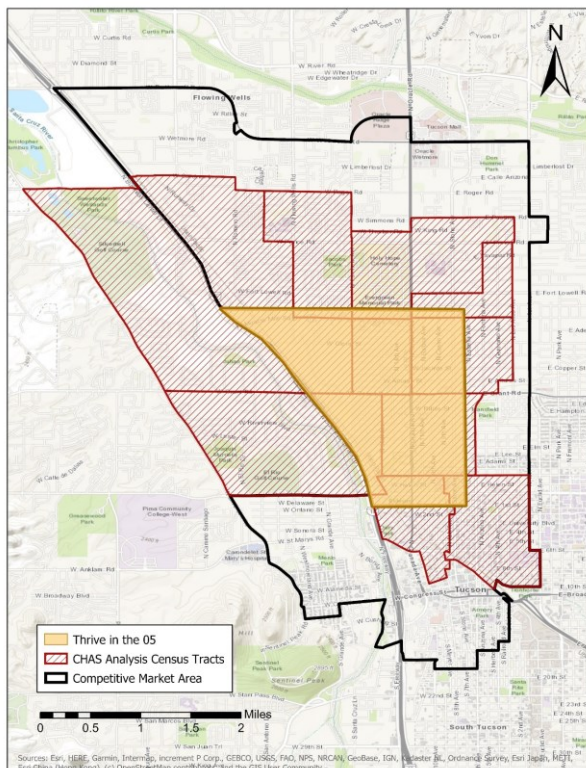
The following section discusses findings related to the affordability of rental and for-sale housing in the Target Area. Housing affordability metrics, including household income and cost burden figures, are established by the U.S. Department of Housing and Urban Development (HUD).

The analysis relies primarily on 2013-2017 Comprehensive Housing Affordability Strategy (CHAS) data, which provides deeper insights than Esri and aligns with HUD methodology for determining eligibility criteria for affordable housing. The CHAS data provides information on households within the census tracts that are located in whole or in part within the Target Area. As such, the number of households described in the following CHAS data exceed the number of households estimated in the Target Area.

## Geography

BAE collected 2013-2017 Comprehensive Housing Affordability Strategy (CHAS) data for all census tracts that overlap with the Target Area (Figure 7).

**Figure 7: Target Area and HUD 2013-2017 CHAS Boundaries**



Sources: U.S. Department of Housing and Urban Development, 2013-2017 Comprehensive Housing Affordability Strategy (CHAS) data; BAE, 2020.

### ***Income Thresholds by Family Size***

HUD defines a “low-income” household as a household that earns 80 percent or less of Area Median Income (AMI), while a “very low-income” household earns less than 50 percent of AMI. An “extremely low-income” household earns less than 30 percent of AMI.

This indicates that in FY 2020, a one-person household in the City of Tucson with \$14,000 in annual income might be classified as extremely low-income (Table 12).

**Table 12: Income Limits by Family Size, FY 2020, Tucson**

<b>Percent of HUD Area Median Family Income</b>	<b>HUD FY 2020 Income Limits</b>			
	<b>1-person</b>	<b>2-person</b>	<b>3-person</b>	<b>4-person</b>
Less than or equal to 30%	\$14,350	\$17,240	\$21,720	\$26,200
Greater than 30% but less than or equal to 50%	\$23,950	\$27,400	\$30,800	\$34,200
Greater than 50% but less than or equal to 80%	\$38,300	\$43,800	\$49,250	\$54,700

Sources: Arizona Department of Housing, 2020; BAE, 2020.

A four-person household with \$34,000 in annual income, meanwhile, could potentially qualify for an affordable rental unit reserved for very low-income families earning less than 50 percent AMI.

### ***Household Income by Tenure***

As Table 13 indicates, 77.9 percent of renter-occupied households in the Target Area are considered low-income by HUD standards, earning 80 percent or less of AMI. Nearly 38 percent of renter-occupied households are considered extremely low-income.

Owner-occupied households in the Target Area are less likely to be considered low-income than renter-occupied households. Nonetheless, 55.8 percent of owner-occupied households earn 80 percent or less of AMI. This represents the majority of homeowners in the Target Area.

Approximately 13.4 percent of renter-occupied households and 35.3 percent of owner-occupied households earn more than 100 percent of AMI. These households are the most likely candidates for purchasing a market rate single-family home or condominium in the Target Area, where prices are significantly lower than those in the CMA.

**Table 13: Distribution of Households by HUD Area Median Family Income Level, Target Area, 2013-2017 Five-Year Sample Period**

Percent of HUD Area Median Family Income	Renter-Occupied Households		Owner-Occupied Households	
	Number	Percent	Number	Percent
Less than or equal to 30%	3,990	37.8%	990	18.7%
Greater than 30% but less than or equal to 50%	2,415	22.9%	755	14.3%
Greater than 50% but less than or equal to 80%	1,810	17.2%	1,205	22.8%
Greater than 80% but less than or equal to 100%	920	8.7%	473	9.0%
Greater than 100% but less than or equal to 120%	357	3.4%	362	6.9%
Greater than or equal to 120%	1,056	10.0%	1,498	28.4%
<b>Total, All Incomes (a)</b>	<b>10,540</b>	<b>100.0%</b>	<b>5,280</b>	<b>100.0%</b>

Note:

(a) Totals do not equal the sum of individual figures due to independent rounding.

Sources: U.S. Department of Housing and Urban Development, 2013-2017 Comprehensive Housing Affordability Strategy (CHAS) data; BAE, 2020.

Note:

(a) Totals do not equal the sum of individual figures due to independent rounding.

Sources: U.S. Department of Housing and Urban Development, 2013-2017 Comprehensive Housing Affordability Strategy (CHAS) data; BAE, 2020.

### **Household Cost Burdens**

As defined by HUD standards, “cost-burdened” households are those that pay more than 30 percent of their gross incomes toward housing costs. As shown in Table 14, approximately 55 percent of renter-occupied households in the Target Area were considered cost-burdened according to the most recent CHAS data. A full 39.0 percent of renter-occupied households, on the other hand, are considered not cost-burdened. Owner-occupied households are significantly less likely to be cost-burdened than renter households, with 73.8 percent reporting no cost burden.

**Table 14: Distribution of Households by Housing Cost Burden, Target Area, 2013-2017, Five-Year Sample Period**

Household Income Brackets (a)	Renter Households		Owner Households	
	Number	Percent	Number	Percent
With ≤ 30% Housing Cost Burden	4,113	39.0%	3,898	73.8%
With > 30%, but ≤ 50% Housing Cost Burden	2,397	22.7%	594	11.3%
With > 50% Housing Cost Burden	3,408	32.3%	568	10.8%
<u>Not Computed (No or Negative Income)</u>	<u>630</u>	<u>6.0%</u>	<u>219</u>	<u>4.1%</u>
<b>Total Households (b)</b>	<b>10,540</b>	<b>100.0%</b>	<b>5,280</b>	<b>100.0%</b>

Notes:

(a) CHAS data reflect HUD-defined household income limits. HAMFI stands for HUD Area Median Family Income.

(b) Totals do not equal the sum of individual figures due to independent rounding.

Sources: U.S. Department of Housing and Urban Development, 2013-2017 Comprehensive Housing Affordability Strategy (CHAS) data; BAE, 2020.

Approximately 32.3 percent of renter-occupied households in the Target Area experience severe cost burden, paying more than 50 percent of their gross income towards housing costs. This is a much higher share than owner-occupied households, where 10.8 percent experience severe cost burden.

#### ***“Elderly” Household Cost Burdens***

Table 15 displays the housing cost burden of elderly households by tenure<sup>4</sup>. Approximately 64 percent of elderly renter households and 24 percent of elderly owner households in the Target Area were considered to be cost-burdened.

Overall, elderly residents in the Target Area are less likely to be cost-burdened than non-elderly households.

**Table 15: Housing Cost Burden by Elderly Households and Tenure, Thrive in the 05, 2013-2017 Five-Year Sample Period**

<b>Housing Cost Burden</b>	<b>Renter Households</b>		<b>Owner Households</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
With ≤ 30% Housing Cost Burden	470	35.2%	1,005	75.5%
With > 30%, but ≤ 50% Housing Cost Burden	417	31.2%	175	13.1%
With > 50% Housing Cost Burden	434	32.5%	151	11.3%
Not Computed (No or Negative Income)	15	1.1%	0	0.0%
<b>Total Households (b)</b>	<b>1,336</b>	<b>100.0%</b>	<b>1,331</b>	<b>100.0%</b>

Note:

(a) Includes all households at or below the median income level.

(b) Totals do not equal the sum of individual figures due to independent rounding.

Sources: U.S. Department of Housing and Urban Development, 2013-2017 Comprehensive Housing Affordability Strategy (CHAS) data; BAE, 2020.

<sup>4</sup> HUD defines an elderly household as a household with one or two persons, with either person 62 years or over.

# HOUSING MARKET ANALYSIS

BAE collected data from CoStar to assess rental housing market conditions in the Target Area, Competitive Market Area, and the City of Tucson. As of Q3 2020, there were an estimated 3,502 multifamily units across 102 buildings in the Target Area, representing approximately 16 percent of total rental units within the CMA and four percent of rental units in the City of Tucson (Table 16).

- Average multifamily unit sizes in the Target Area are 558 square feet—significantly smaller than average unit sizes in the broader CMA (739 square feet) and City of Tucson (759 square feet).
- Vacancy rates, were 5.9 percent in Q3 2020, which is on par with the CMA and slightly higher than the City of Tucson.
- Average asking rents in the Target Area were \$605 per month in Q3 2020, significantly lower than the CMA (\$740 per month) as well as the City of Tucson (\$839 per month). Due to smaller unit sizes, however, asking rents on a per-square-foot basis are roughly in line with the CMA and City of Tucson.

**Table 16: Rental Housing Market Summary, Third Quarter 2020**

<b>Multifamily Summary, All Rent Type</b>	<b>Thrive in the 05</b>	<b>Competitive Market Area</b>	<b>City of Tucson</b>
Inventory, Q3 2020 (bldgs)	102	619	2,648
Inventory, Q3 2020 (units)	3,502	17,302	99,359
Occupied Units	3,294	16,252	93,617
Vacant Units	208	1,020	5,466
<b>Vacancy Rate</b>	<b>5.9%</b>	<b>5.9%</b>	<b>5.5%</b>
<b>Average Inventory Size, Q3 2020 (sf)</b>	<b>558</b>	<b>739</b>	<b>759</b>
<b>Average Asking Rents</b>			
Average Asking Rent, Q3 2019	\$583	\$708	\$798
Average Asking Rent, Q3 2020	\$605	\$740	\$839
% Change Q3 2019 - Q3 2020	3.8%	4.5%	5.1%
Average Asking Rent per sf, Q3 2019	\$1.06	\$0.97	\$1.07
Average Asking Rent per sf, Q3 2020	\$1.10	\$1.01	\$1.12
% Change Q3 2019 - Q3 2020	3.8%	4.1%	4.7%
<b>Net Absorption</b>			
1-Yr. Net Abs. (units), Q3 2019 - Q3 2020	100	314	2,001
10-Yr. Net Abs. (units), Q3 2010 - Q3 2020	312	1,778	10,640

Sources: CoStar Group, 2020; BAE, 2020.

## Target Area Housing Inventory by Product Type

When comparing the Target Area’s residential market conditions with the CMA and City of Tucson, it is important to note the ways in which the Target Area’s unique multifamily product types may impact the data.

The Target Area’s residential housing unit mix includes a large share of mobile and manufactured homes; a sizable number of legacy “motor courts” that have been repurposed from their original uses; and the outsized presence of the Tucson House itself, whose 407 units represent more than 11 percent of total multifamily inventory.

### ***Mobile and Manufactured Homes***

With approximately 861 units in total, Mobile and Manufactured Homes account for nearly 24.6 percent of all multifamily units in the Target Area, according to CoStar. These mobile homes are spread across 15 individual “parks” that range from seven to 250 units. Mobile home parks were especially common in the 1940s and 1950s, but the Target Area itself has not seen any new mobile home park construction since 1964, according to CoStar.

While metrics such as total inventory and year-built are available for mobile homes, metrics such as unit size and asking rent are generally lacking. As such, multifamily statistics for the Target Area may not fully incorporate the actual rents and vacancies experienced by mobile home renters.

### ***Motor Courts and Casita Villages***

Motor Courts and Casita Villages represent another product type unique to the Target Area, with approximately 372 units in total, or 10.6 percent of total multifamily units.<sup>5</sup>

As Table 17 shows, a majority of motor court and casita units in the Target Area are classified as studios (56 percent); with the remainder classified as one-bedrooms (37 percent). In general, these units are characterized by their small size (450 square feet per unit on average), indicating a general unsuitability for larger families with children.

As of Q3 2020, the average asking rent for Motor Courts and Casita Villages was \$478 per month, lower than the Target Area average of \$605 per month. The vacancy rate, meanwhile, was 7.3 percent, which was higher than the Target Area average.

City staff have indicated that this product type in particular may be more prone to code enforcement issues, which could help explain the relatively low rents and high vacancy rate compared to the Target Area overall. In addition, because of the prevalence of these units

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<sup>5</sup> To isolate these for analysis, BAE worked with the City to identify known examples of motor courts converted to small rentals; older casitas, casita “villages”, and “drive-up” style apartments not originally built as motor courts.

within the Target Area compared to the CMA and City, they are also likely to contribute to differentials between Target Area multifamily rental, vacancy, and average unit size data and benchmark area data.

**Table 17: Motor Court and Casita Summary, Target Area, Q3 2020**

<b>Motor Courts and Casitas</b>	<b>Studio</b>	<b>1BR</b>	<b>2 BR</b>	<b>3 BR</b>	<b>All Unit Sizes</b>
<b>Inventory (units), Q3 2020</b>	208	136	21	7	<b>372</b>
<b>Inventory Share (%)</b>	56%	37%	6%	2%	<b>100%</b>
Vacancy Rate	6.6%	8.7%	5.8%	4.9%	<b>7.3%</b>
<b>Average Inventory Size, Q3 2020 (sf)</b>	333	516	798	(a)	<b>450</b>
<b>Avg. Asking Rents, Q3 2019 - Q3 2020</b>					
Average Asking Rent, Q3 2019	\$391	\$495	\$639	\$864	<b>\$468</b>
Average Asking Rent, Q3 2020	\$396	\$510	\$647	\$875	<b>\$478</b>
% Change Q3 2019 - Q3 2020	1.3%	3.0%	1.3%	1.3%	<b>2.1%</b>
<b>Average Asking Rent per sf, Q3 2020</b>	<b>\$1.19</b>	<b>\$0.86</b>	<b>\$0.74</b>	(a)	<b>\$1.14</b>

Notes:

(a) Sample size insufficient to provide data.

Sources: CoStar Group, 2020; BAE, 2020.

### ***Market Rate Rental Housing***

As seen in Table 18, the Target Area has a comparatively low share of market rate rental stock, with only 2,003 rental units, or 57 percent classified as market rate<sup>6</sup>. The Competitive Market Area, meanwhile, offers 68 percent of its total rental units as market rate, compared to 87 percent of total rental units in the City of Tucson.

Rental housing classified as market rate generally refers to units and buildings that do not include some type of affordability covenant. As such, these can include a wide range of product types, including triplexes, motor courts, mobile home parks, as well as more traditional multifamily buildings.

Market rate units in the Target Area command only a slight premium in asking price compared to all residential units. As of Q3 2020, the average asking rent was \$618 per month for a market rate unit; compared to \$605 per month across all residential rental units.

<sup>6</sup> The 407 units in Tucson House are classified as by CoStar “affordable”, which accounts for a significant share of this total.

The most recent market rate residential project in the Target Area was built in 2006, when the eight-unit “Elm Apartments” came online. Remodeled in 2011, these four-bedroom, two-bathroom units have been marketed to both families and students with roommates.<sup>7</sup>

**Table 18: Market Rate Rental Housing Market Summary, Third Quarter 2020**

<b>Multifamily Summary, Market-Rate</b>	<b>Thrive in the 05</b>	<b>Competitive Market Area</b>	<b>City of Tucson</b>
Inventory, Q3 2020 (bldgs)	80	510	2,310
Inventory, Q3 2020 (units)	2,003	11,783	81,695
Market Rate Units as % total units	57%	68%	82%
<b>Vacancy Rate</b>	<b>6.4%</b>	<b>6.0%</b>	<b>5.4%</b>
<b>Average Unit Size, Q3 2020 (sf)</b>	<b>547</b>	<b>630</b>	<b>746</b>
<b>Average Asking Rents</b>			
Average Asking Rent, Q3 2019	\$588	\$737	\$812
<b>Average Asking Rent, Q3 2020</b>	<b>\$618</b>	<b>\$773</b>	<b>\$855</b>
% Change Q3 2019 - Q3 2020	5.1%	4.9%	5.3%
Average Asking Rent per sf, Q3 2019	\$1.08	\$1.17	\$1.10
<b>Average Asking Rent per sf, Q3 2020</b>	<b>\$1.14</b>	<b>\$1.23</b>	<b>\$1.16</b>
% Change Q3 2019 - Q3 2020	5.6%	5.1%	5.5%
<b>Under Construction (bldgs), Q3 2020</b>	<b>0</b>	<b>2</b>	<b>6</b>
<b>Under Construction (units), Q3 2020</b>	<b>0</b>	<b>340</b>	<b>1,209</b>

Sources: CoStar Group, 2020; BAE, 2020.

Sources: CoStar Group, 2020; BAE, 2020.

### ***New Residential Development by Product Type***

New residential development in the Target Area has been characterized almost entirely by income-restricted rental apartments. Since 2010, some 218 income-restricted units have come online across at least three developments, with zero market rate rental units.

The larger CMA, which draws in additional neighborhoods such as Dunbar Spring, the Presidio, and Downtown, has seen significantly more market rate development. Since 2010, 409 market rate units been developed, with an additional 340 units classified by CoStar as “under construction” in Q3 2020.

Figure 8 displays a visual map of these recent residential developments by product type.

<sup>7</sup> <https://www.loopnet.com/Listing/309-311-W-Elm-St-Tucson-AZ/15690962/>



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**Table 19: Rental Housing Rent Growth by Rent Types, Q3 2010 to Q3 2020**

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<u>Asking Rents, All Rent Types</u>	<u>Thive in the 05</u>	<u>Competitive Market Area</u>	<u>City of Tucson</u>
Q3 2010	\$446	\$573	\$616
Q3 2011	\$449	\$577	\$620
Q3 2012	\$461	\$588	\$629
Q3 2013	\$471	\$603	\$642
Q3 2014	\$487	\$610	\$655
Q3 2015	\$497	\$627	\$672
Q3 2016	\$520	\$646	\$698
Q3 2017	\$546	\$666	\$726
Q3 2018	\$575	\$690	\$760
Q3 2019	\$583	\$708	\$798
Q3 2020	\$605	\$740	\$839
% Increase 2010-2020	35.7%	29.1%	36.2%

<u>Asking Rents, Market-Rate</u>	<u>Thive in the 05</u>	<u>Competitive Market Area</u>	<u>City of Tucson</u>
Q3 2010	\$448	\$592	\$624
Q3 2011	\$451	\$596	\$628
Q3 2012	\$464	\$608	\$638
Q3 2013	\$474	\$623	\$649
Q3 2014	\$492	\$631	\$663
Q3 2015	\$504	\$649	\$681
Q3 2016	\$530	\$670	\$708
Q3 2017	\$556	\$691	\$737
Q3 2018	\$577	\$716	\$772
Q3 2019	\$588	\$737	\$812
Q3 2020	\$618	\$773	\$855
% Increase 2010-2020	37.9%	30.6%	37.0%

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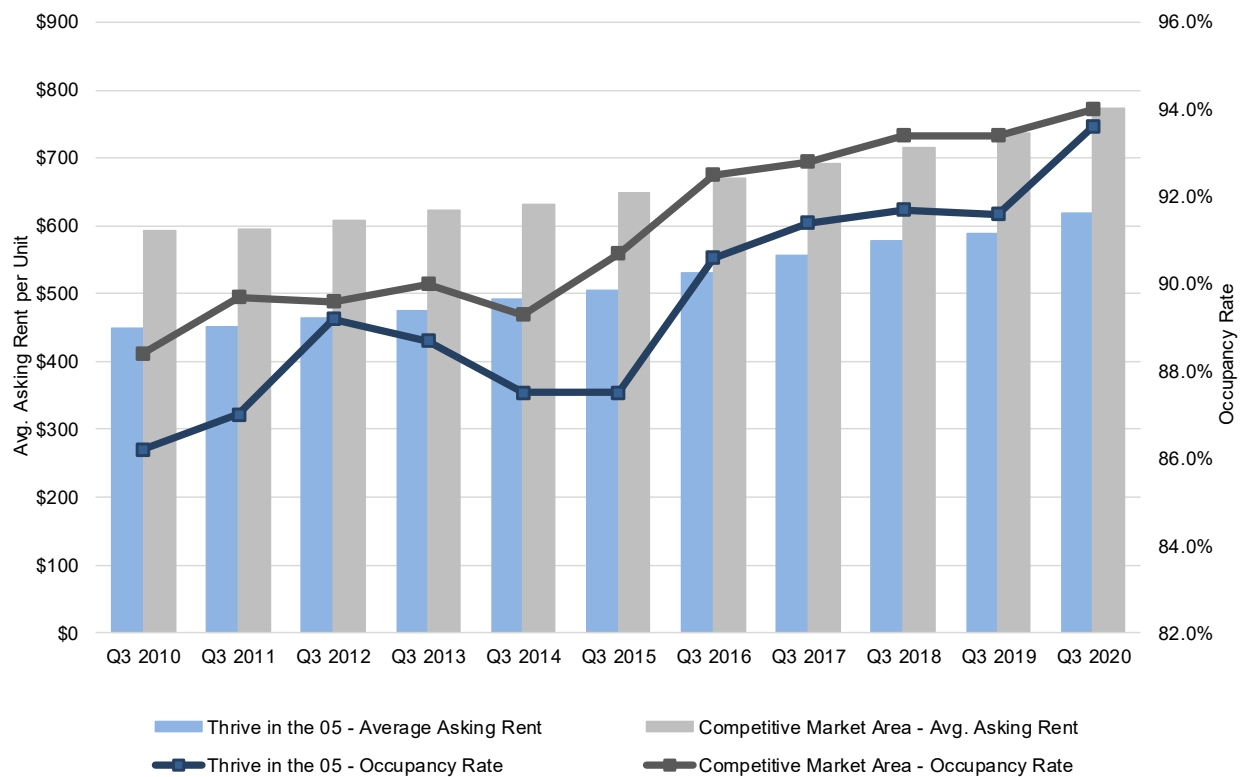
Sources: CoStar Group, 2020; BAE, 2020

### ***Rental Housing Occupancy and Vacancy Trends***

Figure 9 compares ten-year historical data trends of average market-rate asking rents and occupancy rates between the Target and Competitive Market Areas. At the start of the decade, both areas' occupancy rates remained between 85 percent to 89 percent, with the CMA's occupancy rate approximately two percent higher than that of the Target Area.

As of the third quarter of 2020, data showed the occupancy rates of the Target Area and CMA to be almost comparable, with the CMA at 94 percent and the Target Area at 93.6 percent.

**Figure 9: Market-Rate Rent and Occupancy Trends, Q3 2010 to Q3 2020**

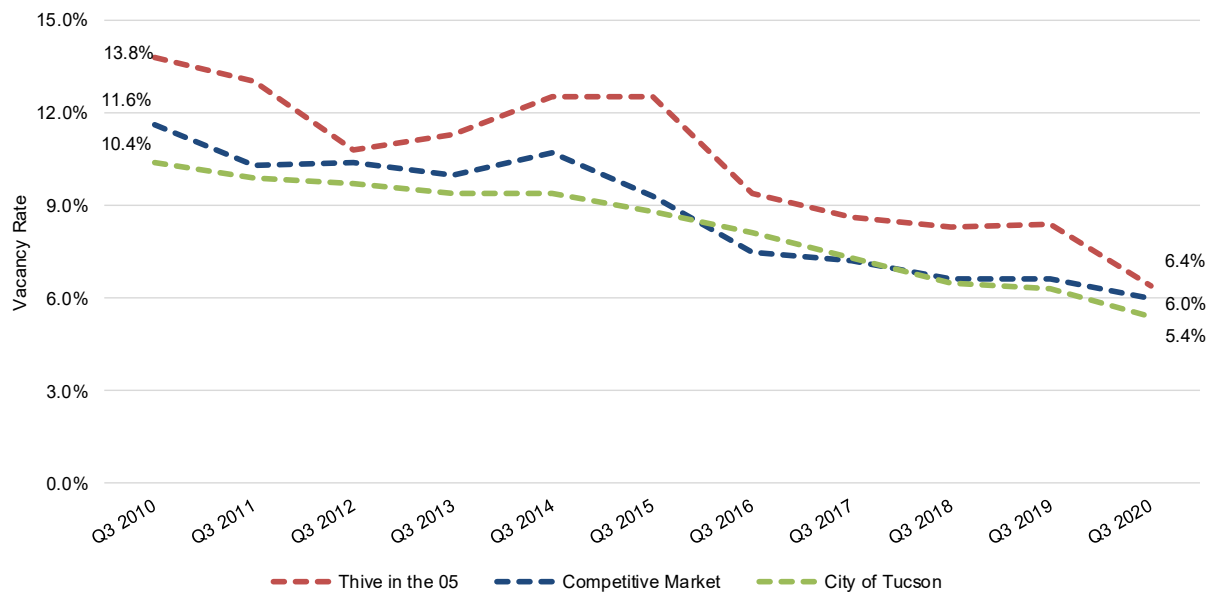


Sources: CoStar Group, 2020; BAE, 2020.

Historical vacancy trend data, in Figure 10, indicates that the Target Area experienced a substantial increase in vacancy rates between third quarter of 2012 to 2015, peaking at approximately 12.5 percent. Since the 2015 peak, vacancy rates in the Target Area have steadily declined.

The CMA's vacancy rate showed a more stabilized trend within the first half of the decade. Apart from third quarter of 2012 and third quarter of 2020, vacancy rates for the CMA have remained consistently lower than that of the Target Area by a one to three percent margin annually. The Target and Competitive Market Areas' vacancy rates reached historic lows of 6.4 and 6.0 percent, respectively, as of third quarter of 2020.

**Figure 10: Market-Rate Rental Vacancy Trends, Q3 2010 to Q3 2020**



Sources: CoStar Group, 2020; BAE, 2020.

### Market Rate Units in the Target Area

Table 20 displays key metrics for market rate rental units in the Target Area, including average unit sizes, asking rents, and vacancy rates by bedroom count.

**Table 20: Thrive in the 05 Market Rate Multifamily Inventory by Bedroom Count**

Multifamily Summary	Studio	1BR	2 BR	3 BR	All Unit Types
<b>Inventory (units), Q3 2020</b>	499	1,218	241	13	<b>2,003</b>
<b>Inventory Share (%)</b>	25%	61%	12%	1%	100%
Vacancy Rate	7.0%	6.4%	5.7%	7.8%	6.4%
<b>Average Inventory Size, Q3 2020 (sf)</b>	357	505	820	870	<b>547</b>
<b>Avg. Asking Rents, Q3 2019 - Q3 2020</b>					
Average Asking Rent, Q3 2019	\$475	\$570	\$701	\$802	\$588
Average Asking Rent, Q3 2020	\$501	\$598	\$745	\$895	\$618
% Change Q3 2019 - Q3 2020	5.5%	4.9%	6.3%	11.6%	5.1%
Average Asking Rent per sf, Q3 2020	\$1.44	\$1.19	\$0.93	1.06	\$1.14

Sources: CoStar Group, 2020; BAE, 2020.

- One-bedrooms are most common market rate unit size in the Target Area, representing 61 percent of total inventory. These units are 505 square feet, on average, which is significantly smaller than the Citywide average.
- Two-bedrooms units, meanwhile, represent approximately 12 percent of total market rate inventory in the Target Area. These units also have the lowest vacancy rates of all bedroom counts, at 5.7 percent in Q3 2020.

### ***Senior Rental Housing***

BAE also analyzed the senior housing submarket in the City of Tucson, in part to explore whether mixed income or market rate senior housing may be a viable model for the revitalization of Tucson House. Key findings include the following:

- **There are 4,440 rental units across 35 individual projects dedicated to housing seniors in the City of Tucson**, according to CoStar.<sup>8</sup> Within this group there is a wide range of housing subtypes, including low-income rental, market-rate rental, and mobile home parks. The rental units also span a continuum of care options, from independent living (typically geared towards “active” seniors with individual kitchens), to assisted living and memory care.
- **The majority of senior units in apartment communities are classified as “Affordable”.** Within the City of Tucson, approximately 1,361 senior units in apartment communities were classified as affordable, versus 597 units classified as market rate.
- **The majority of recent senior-oriented rental housing built within the City of Tucson has been targeted towards low-income seniors.** HUD’s Section 202 program, for example, provides interest free capital advances and other financing assistance to applicants who provide housing to “very low-income households comprised of at least one person who is at least 62 years old at the time of initial occupancy.”
- Since 2010, some 610 affordable senior units have come online in the City of Tucson, compared to zero market rate senior units.
- **“Market Rate” senior rental units represent a smaller but still significant share of inventory.** In contrast to affordable senior apartment communities, market rate senior projects tend to be older, but command comparatively high rents on a per square foot basis.

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<sup>8</sup> Tucson House is not currently classified as a senior project by CoStar. It should also be noted that while CoStar’s database includes apartment communities available for rent, it does not include age-restricted for sale subdivisions such as the Casitas de Castilian or the Northridge Estates.

### Market Rate Senior Rental Housing

Market rate senior rental apartments are comparatively rare in the City of Tucson. Of the 4,440 multifamily units classified by CoStar as senior-oriented, only 597 units, or 14 percent, are characterized as both market rate and not located within a mobile home park.

Senior Market Rate rental apartments feature low vacancies in general, with a 6.3 percent vacancy rate across all bedroom counts (**Error! Reference source not found.**). While this is slightly higher than the Citywide rate of 5.4 percent for all market rate rental units, it is lower than the rate for all market rate properties in the Target Area (6.4 percent).

Asking rents for market rate senior projects in the City of Tucson average \$1.15 per square foot, which is nearly identical to asking rents for all market rate rental units citywide \$1.16 per square foot.

Table 21 displays a list of properties within the City of Tucson currently identified by CoStar as containing market rate senior rental housing. Taken together, these units command an average asking rent of \$844 per month or \$1.15 per square foot, with a combined vacancy rate of 6.3 percent.

**Table 21: Market Rate Senior Rental Housing Inventory, City of Tucson**

<u>Property Name (a)</u>	<u>Year Built</u>	<u>Units (#)</u>	<u>Vacancy (%)</u>	<u>Avg. Size (sf)</u>	<u>Avg. Rent (\$/unit) b)</u>	<u>Avg. Rent (\$/sf)</u>	<u>Pkg. Spaces (#/unit)</u>
Devon Apartments	1979	14	7.1%		\$474.00		1.50
The Place at Broadway East	1977	120	12.5%	754	\$924.00	\$1.21	1.33
Cata Lee Apartments	1962	24	4.2%	815	\$554.00	\$0.68	2.00
Coronado Vista Courtyard Apts.	1963	40	5.0%	547	\$607.00	\$1.10	2.50
The Lakes	1976	144	2.1%	757	\$931.00	\$1.22	1.60
Tucson East Apartments	1982	52	3.9%	659	\$663.00	\$1.00	2.23
<u>The Place at Wilmot North</u>	<u>1979</u>	<u>180</u>	<u>7.2%</u>	<u>786</u>	<u>\$918.00</u>	<u>\$1.16</u>	<u>1.15</u>
<b>Total (b)</b>		<b>597</b>	<b>6.3%</b>	<b>746</b>	<b>\$844.00</b>	<b>\$1.15</b>	<b>1.80</b>

Notes:

(a) Tables excludes properties for which no vacancy or rent information is currently provided.

(b) Summary data excludes facilities associated with providing memory care.

Sources: CoStar, 2020; BAE, 2020.

Table 22 Table 20 displays key metrics by bedroom count for the market rate senior rental units described above, including average unit sizes, asking rents, and vacancy rates.

- One-bedrooms are most common unit size, representing over 50 percent of total rental inventory dedicated to market rate seniors. These units are 627 square feet, on average, and feature a vacancy rate of 6.3 percent. The average asking rent for these units was \$757 per month in Q3 2020, representing a 4.4 percent increase from the prior year.

- Two-bedrooms units, meanwhile, represent approximately 43 percent of total rental inventory dedicated to seniors. Two-bedroom units are 914 square feet, on average, and feature the lowest vacancy rate across bedroom counts, at 6.1 percent.

The average asking rent for two-bedroom units was \$980 per month in Q3 2020, which also represented a 4.4 percent increase from the prior year.

**Table 22: Market Rate Senior Housing Summary by Bedroom Count, City of Tucson**

<b>Senior Housing Rental Summary, Market-Rate</b>	<b>Studio</b>	<b>1BR</b>	<b>2 BR</b>	<b>All Unit Types</b>
<b>Inventory (units), Q3 2020</b>	31	308	258	<b>597</b>
Occupied Units	28	289	242	<b>559</b>
Vacant Units	3	19	16	<b>38</b>
Vacancy Rate	8.5%	6.3%	6.1%	<b>6.3%</b>
<b>Average Inventory Size, Q3 2020 (sf)</b>	<b>374</b>	<b>627</b>	<b>914</b>	<b>746</b>
<b>Avg. Asking Rents, Q3 2019 - Q3 2020</b>				
Average Asking Rent, Q3 2019	\$554	\$725	\$939	\$810
Average Asking Rent, Q3 2020	\$568	\$757	\$980	\$844
% Change Q3 2019 - Q3 2020	2.5%	4.4%	4.4%	4.2%
Average Asking Rent per sf, Q3 2019	\$1.54	\$1.18	\$1.03	\$1.11
Average Asking Rent per sf, Q3 2020	\$1.58	\$1.23	\$1.08	\$1.15
% Change Q3 2019 - Q3 2020	2.6%	4.2%	4.9%	3.6%

Sources: CoStar Group, 2020; BAE, 2020.

# FOR SALE HOUSING MARKET CONDITIONS

## Home Sales Price Distribution

To analyze the for-sale housing market, BAE compiled single-family and condominium sale records from List Source to assess local real estate conditions within the Target Area, as well as across the broader Competitive Market Area.

Within both the Target Area and CMA, there has been significantly less development in the for-sale sector than the multifamily sector over the past decade. BAE was only able to identify two condominium and/or townhome projects to have been completed since 2010—both of which were located outside the Target Area.

### ***Sales Activity – Target Area***

As Table 23 shows, a total of 58 single-family homes and condominiums sold in the Target Area over the most recent one-year period. The majority of these sales were for single-family homes, representing 72 percent of total sales.

Overall, the median sales price of a single-family home in the Target Area was \$149,500 between October 2019 and 2020. This represents a median price per square foot of approximately \$131. Only one single-family home sold for more than \$200,000 during the analysis period.

Small single-family homes (e.g., those with less than 1,000 square feet) represented the largest share of home sales (38 percent); followed by homes ranging from 1,000 to 1,249 square feet (29 percent). The average size of all single-family homes sold was 1,115 square feet.<sup>9</sup>

### ***Condominium Sales Activity***

The median sales price of a condominium in the Target Area was \$105,500 between October 2019 and 2020. This represents a median price per square foot of approximately \$106.

Small condominiums (e.g., those with less than 750 square feet) and medium-sized condominiums (ranging from 1,000 to 1,249 square feet) reported the same share of overall sales activity—each representing just over a third of total. The average size of all condominiums sold was 998 square feet.

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<sup>9</sup> Due to local MLS regulations, List Source does not provide a bedroom count for sold homes in these geographies but does include home size in square feet.

**Table 23: Home Sale Distribution, Target Area, October 2019 to October 2020**

<b>Single-Family Residences</b>						
<b>Sale Price Range</b>	<b>Less than 1,000 s.f.</b>	<b>1,000 - 1,249 s.f.</b>	<b>1,250 - 1,499 s.f.</b>	<b>1,500 s.f. or more</b>	<b>Total</b>	<b>% Total</b>
Less than \$100,000	5	2	1	1	9	21.4%
\$100,000-\$149,999	7	2	1	2	12	28.6%
\$150,000-\$199,999	4	7	7	2	20	47.6%
\$200,000 or More	0	1	0	0	1	2.4%
<b>Total</b>	<b>16</b>	<b>12</b>	<b>9</b>	<b>5</b>	<b>42</b>	<b>100%</b>
<b>% Total</b>	<b>38.1%</b>	<b>28.6%</b>	<b>21.4%</b>	<b>11.9%</b>	<b>100%</b>	
<b>Median Sale Price</b>	<b>\$131,450</b>	<b>\$162,700</b>	<b>\$165,000</b>	<b>\$145,000</b>	<b>\$149,500</b>	
<b>Average Sale Price</b>	<b>\$123,668</b>	<b>\$153,050</b>	<b>\$154,378</b>	<b>\$125,600</b>	<b>\$138,873</b>	
<b>Average Size (sf)</b>	<b>796</b>	<b>1,098</b>	<b>1,349</b>	<b>1,753</b>	<b>1,115</b>	
<b>Median Price per sf</b>	<b>\$152.60</b>	<b>\$142.55</b>	<b>\$127.78</b>	<b>\$131.12</b>	<b>\$131.12</b>	
<b>Average Price per sf</b>	<b>\$168.19</b>	<b>\$139.35</b>	<b>\$114.91</b>	<b>\$73.35</b>	<b>\$137.24</b>	
<b>Condominiums</b>						
<b>Sale Price Range</b>	<b>Less than 750 s.f.</b>	<b>750 - 999 s.f.</b>	<b>1,000 - 1,249 s.f.</b>	<b>1,250 s.f. or more</b>	<b>Total</b>	<b>% Total</b>
Less than \$100,000	6	0	2	0	8	50.0%
\$100,000-\$124,999	0	0	2	0	2	12.5%
\$125,000-\$149,999	0	0	2	2	4	25.0%
\$150,000-\$174,999	0	0	0	0	0	0.0%
\$175,000 or More	0	0	0	2	2	12.5%
<b>Total</b>	<b>6</b>	<b>0</b>	<b>6</b>	<b>4</b>	<b>16</b>	<b>100%</b>
<b>% Total</b>	<b>37.5%</b>	<b>0.0%</b>	<b>37.5%</b>	<b>25.0%</b>	<b>100%</b>	
<b>Median Sale Price</b>	<b>\$59,900</b>	<b>n.a.</b>	<b>\$121,500</b>	<b>\$168,000</b>	<b>\$105,500</b>	
<b>Average Sale Price</b>	<b>\$58,317</b>	<b>n.a.</b>	<b>\$112,333</b>	<b>\$170,313</b>	<b>\$106,572</b>	
<b>Average Size (sf)</b>	<b>560</b>	<b>n.a.</b>	<b>1,152</b>	<b>1,424</b>	<b>998</b>	
<b>Median Price per sf</b>	<b>\$106.96</b>	<b>n.a.</b>	<b>\$103.62</b>	<b>\$102.96</b>	<b>\$105.53</b>	
<b>Average Price per sf</b>	<b>\$104.14</b>	<b>n.a.</b>	<b>\$97.94</b>	<b>\$119.42</b>	<b>\$105.63</b>	

Sources: ListSource, 2020; BAE, 2020.

**Sales Activity – Competitive Market Area**

A total of 444 single-family homes and condominiums were sold in the Competitive Market Area between October 2019 and 2020. Similar to the Target Area, the majority of these sales were for single-family homes, representing 75 percent of total sales (Table 24).

The median sales price of a single-family home in the CMA was \$179,500 between October 2019 and 2020, representing a median price per square foot of approximately \$144.

The median sales price of a condominium in the CMA was \$105,500 during the same time period. This represents a median price per square foot of approximately \$131.

**Table 24: Home Sale Distribution, Competitive Market Area, October 2019 to October 2020**

<b>Single-Family Residences</b>						
<b>Sale Price Range</b>	<b>Less than 1,000 s.f.</b>	<b>1,000 - 1,249 s.f.</b>	<b>1,250 - 1,499 s.f.</b>	<b>1,500 s.f. or more</b>	<b>Total</b>	<b>% Total</b>
Less than \$100,000	16	8	7	4	35	10.5%
\$100,000-\$149,999	21	21	12	3	57	17.1%
\$150,000-\$199,999	17	44	41	28	130	39.0%
\$200,000 or More	18	23	27	43	111	33.3%
<b>Total</b>	<b>72</b>	<b>96</b>	<b>87</b>	<b>78</b>	<b>333</b>	<b>100%</b>
<b>% Total</b>	<b>21.6%</b>	<b>28.8%</b>	<b>26.1%</b>	<b>23.4%</b>	<b>100%</b>	
<b>Median Sale Price</b>	<b>\$149,000</b>	<b>\$169,500</b>	<b>\$179,900</b>	<b>\$201,050</b>	<b>\$179,900</b>	
<b>Average Sale Price</b>	<b>\$155,094</b>	<b>\$237,991</b>	<b>\$236,501</b>	<b>\$271,774</b>	<b>\$227,591</b>	
<b>Average Size (sf)</b>	<b>833</b>	<b>1,109</b>	<b>1,365</b>	<b>1,926</b>	<b>1,307</b>	
<b>Median Price per sf</b>	<b>\$177.26</b>	<b>\$154.07</b>	<b>\$128.47</b>	<b>\$130.95</b>	<b>\$144.21</b>	
<b>Average Price per sf</b>	<b>\$189.67</b>	<b>\$211.79</b>	<b>\$172.95</b>	<b>\$137.98</b>	<b>\$179.57</b>	

<b>Condominiums</b>						
<b>Sale Price Range</b>	<b>Less than 750 s.f.</b>	<b>750 - 999 s.f.</b>	<b>1,000 - 1,249 s.f.</b>	<b>1,250 s.f. or more</b>	<b>Total</b>	<b>% Total</b>
Less than \$100,000	17	8	2	1	28	25.2%
\$100,000-\$124,999	1	13	8	0	22	19.8%
\$125,000-\$149,999	0	9	8	4	21	18.9%
\$150,000-\$174,999	1	2	5	2	10	9.0%
\$175,000 or More	4	1	5	20	30	27.0%
<b>Total</b>	<b>23</b>	<b>33</b>	<b>28</b>	<b>27</b>	<b>111</b>	<b>100%</b>
<b>% Total</b>	<b>20.7%</b>	<b>29.7%</b>	<b>25.2%</b>	<b>24.3%</b>	<b>100%</b>	
<b>Median Sale Price</b>	<b>\$86,000</b>	<b>\$121,000</b>	<b>\$131,000</b>	<b>\$200,000</b>	<b>\$128,000</b>	
<b>Average Sale Price</b>	<b>\$115,386</b>	<b>\$123,060</b>	<b>\$143,509</b>	<b>\$230,176</b>	<b>\$152,683</b>	
<b>Average Size (sf)</b>	<b>659</b>	<b>827</b>	<b>1,133</b>	<b>1,518</b>	<b>1,038</b>	
<b>Median Price per sf</b>	<b>\$120.14</b>	<b>\$142.68</b>	<b>\$116.41</b>	<b>\$116.07</b>	<b>\$131.30</b>	
<b>Average Price per sf</b>	<b>\$172.86</b>	<b>\$149.62</b>	<b>\$127.58</b>	<b>\$145.22</b>	<b>\$147.81</b>	

Sources: ListSource, 2020; BAE, 2020.

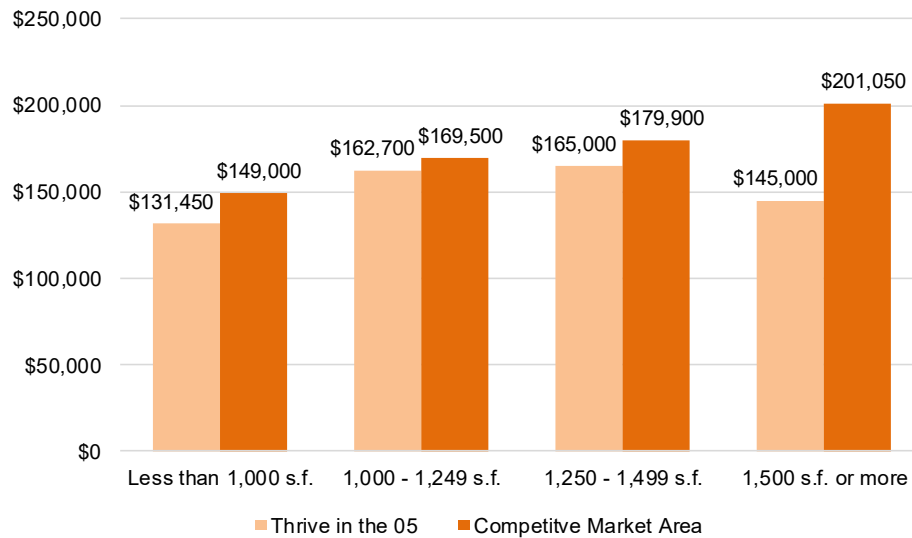
## Median Sales by Housing Type

### *Single-Family Housing Type*

Figure 11 compares the median single-family home sale price across both subareas by unit size. During the most recent one-year period, single-family homes prices in the Competitive Market Area exceeded those in the Trade Area across all unit sizes.

The difference was most pronounced for homes exceeding 1,500 square feet. Within this category, the median sales price in the CMA was \$201,500, compared to \$145,000 in the Target Area. Notably, single-family homes in the CMA are significantly larger on average than those in the Target Area (1,307 square feet versus 1,115 square feet, respectively).

**Figure 11: Single-Family Median Home Sale Price by Size, October 2019 to October 2020**



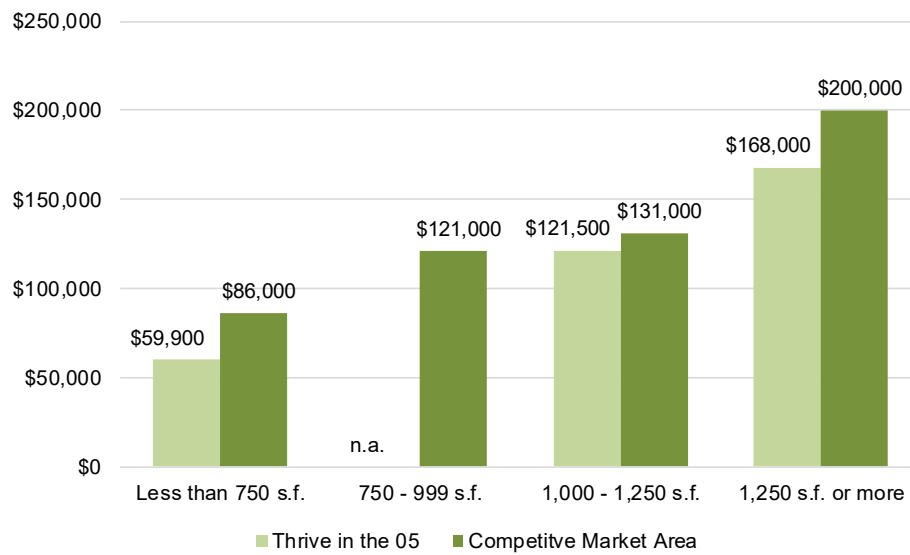
Sources: ListSource, 2020; BAE 2020.

### ***Condominium Housing Type***

Similar to the trend exhibited for single-family homes, condominium prices in the CMA exceeded those in the Trade Area across all unit sizes.

Due in part to a larger sample size of units in the broader CMA, condominium sales were spread more uniformly across price points. While 25.2 percent of condominiums traded for less than \$100,000, for example, an additional 27.0 percent of condominiums sold in excess of \$175,000. The remaining 47.7 percent sold for anywhere between \$100,000 and \$174,999.

**Figure 12: Condominium Median Home Sale Price by Size, October 2019 to October 2020**



Sources: ListSource, 2020; BAE 2020.

# REAL ESTATE ANALYSIS - COMMERCIAL

## Inventory

The Target Area contained approximately 1.1 million square feet of retail space in Q3 2020, representing 17 percent of all retail space in the Competitive Market Area (Table 25). The Target Area's retail vacancy rate was the lowest across the three subregions, with a 2.3 percent vacancy rate in Q3 2020 compared to a CMA rate of 4.7 percent and citywide rate of 6.3 percent.

The Target Area's asking retail rent of \$1.27 per square foot per month on a triple net basis (NNN) also compares favorably with retail rents in the CMA (\$1.14 per square foot per month, NNN) but are lower than rents citywide (\$1.31 per square foot per month).

**Table 25: Retail Summary, Q3 2020**

<b>Retail Summary</b>	<b>Thrive in the 05</b>	<b>Competitive Market Area</b>	<b>City of Tucson</b>
<b>Inventory (sf), Q3 2020</b>	<b>1,107,676</b>	<b>6,608,043</b>	<b>50,116,207</b>
Occupied Stock (sf)	1,082,598	6,273,189	46,890,419
Vacant Stock (sf)	25,078	313,104	3,148,382
Vacancy Rate	2.3%	4.7%	6.3%
<b>Average Asking NNN Rents</b>			
Average Asking Rent per sf, Q3 2019	\$1.05	\$1.17	\$1.28
Average Asking Rent per sf, Q3 2020	\$1.27	\$1.14	\$1.31
% Change, Q3 2019 - Q3 2020	21.0%	-2.6%	2.3%
<b>Net Absorption</b>			
1-Yr Net Absorption (sf), Q3 2019 - Q3 2020	24,298	257,871	1,651,934
10-Yr Net Absorption (sf), Q3 2010 - Q3 2020	356,287	2,320,511	17,603,938
<b>New Deliveries (sf), Q3 2019 - Q3 2020</b>	<b>6,745</b>	<b>253,522</b>	<b>4,228,846</b>
<b>Under Construction (sf), Q3 2020</b>	<b>0</b>	<b>7,825</b>	<b>59,966</b>

Sources: CoStar Group, 2020; BAE, 2020.

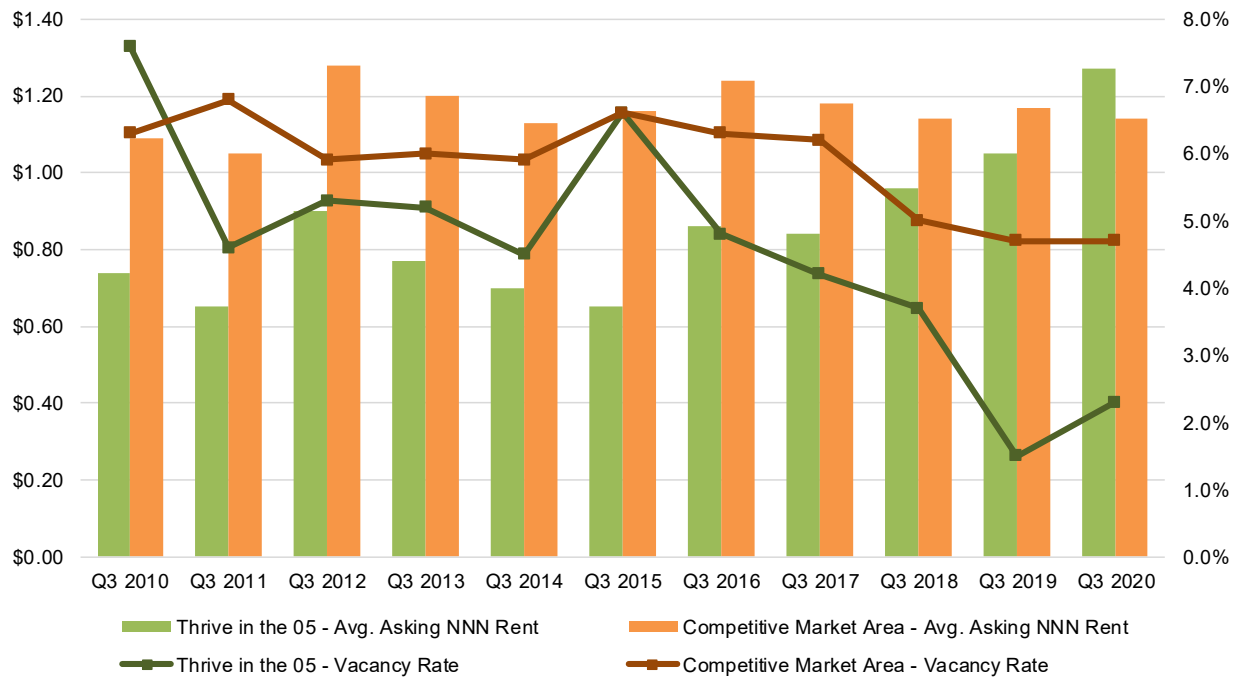
Although the Target Area contains approximately 17 percent of the larger CMA's retail inventory, between the third quarter of 2019 and 2020, the Target Area absorbed roughly 24,300 square feet of retail space, representing a smaller share of the CMAs absorption (nearly ten percent). Within the most recent one-year period, the Target Area saw an estimated 6,745 square feet of new retail construction, compared to 253,522 square feet in the CMA. As of Q3 2020, there were no retail projects under construction in the Target Area.

## Rental Rate and Vacancy Trends

As Figure 13 shows, retail asking rents in the Target Area have historically been lower than those of the larger subregion, surpassing rents in the CMA only recently. Between third quarter of 2019 and 2020, the Target Area's average asking rent increased significantly by 21

percent, while the CMA's average asking rent decreased by 2.6 percent. Vacancy rates also trended lower in Target Area over the past decade, reaching their lowest rate in the third quarter of 2019 at 1.5 percent.

**Figure 13: Rental Rate and Vacancy Trends, Q3 2010 to Q3 2020**



Sources: CoStar Group, 2020; BAE, 2020.

It should be noted that retail rent data reflect offerings in just five buildings in the Target Area. CoStar may be reporting fewer vacant and/or available spaces than actually exist in the Target Area because those spaces may not be listed with the professional commercial brokerages from which CoStar draws its information. Because the five buildings with rent data are generally younger, larger, and offer more parking spaces than the median Target Area retail building, the rents reported by CoStar are not necessarily predictive of what the “typical” retail space in the Target Area might command in rents.

In addition to a potential underreporting of vacancy, there may be spaces in the area that are occupied but not by retail space. Aging, low-value retail buildings are sometimes repurposed for non-retail uses, such as material storage for a construction company, without CoStar reclassifying the space for the new use. Though such buildings may look vacant to passersby, they are technically occupied. A more detailed canvassing of retail buildings and businesses would be required to determine whether seemingly vacant retail buildings in the Target Area are actually occupied by non-retail users or if CoStar is simply underreporting vacancies. In either event, the area’s low vacancy rate should not necessarily be interpreted as an indication of

strong demand for retail space in the area, at least given the area's current physical inventory. Moreover, the relative lack of new retail product in the area—less than one percent of the area's inventory was delivered in the past decade compared to about four percent in the Competitive Market Area—suggests that developers have not identified demand for newer, higher quality retail space in the area as of yet.

## SUPPORTABLE DEMAND PROJECTIONS

This analysis uses several methods to determine residual demand for residential and commercial uses in the Target Area. Pima Association of Governments (PAG) growth projections published in 2019 provide a baseline for the analysis. However, since the Thrive in the 05 area (Target Area) is undergoing significant planning efforts and could see critical new investments in transportation infrastructure over the coming decades, the analysis incorporates alternative methods for estimating demand based on capturing a portion of demand from the larger Competitive Market Area.

### ***PAG Projections***

To analyze supportable demand for new housing in the Target Area, a baseline household count was established for the current year (2020) that encompasses all Transportation Analysis Zones (TAZs) within Thrive in the 05. PAG uses an internal algorithm to determine future households in each TAZ based on historic growth, zoning, transportation planning, and a variety of other factors. PAG projections forecast the number of residents, households, and jobs for each TAZ in 2045.

Using this method, the Target Area is expected to absorb approximately 1,173 households by 2045, indicating an annual growth rate of 0.85 percent. The larger CMA, meanwhile, is forecast to absorb up to 6,877 additional households, assuming a slightly higher annual growth rate of 0.89 percent (Table 26).

**Table 26: Household Growth Projections through 2045, Thrive in the 05 and Competitive Market Area**

<b>Thrive in the 05</b>	<b>2020</b>	<b>2030</b>	<b>2040</b>	<b>2045</b>	<b>Total Change 2020-2045</b>	<b>Avg. Annual % Change</b>
Population	11,904	12,904	13,987	14,563	2,659	0.81%
Households	4,979	5,419	5,897	6,152	1,173	0.85%
<b>Competitive Market Area</b>	<b>2020</b>	<b>2030</b>	<b>2040</b>	<b>2045</b>	<b>Total Change 2020-2045</b>	<b>Avg. Annual % Change</b>
Population	63,700	68,913	74,552	77,543	13,843	0.79%
Households	27,908	30,479	33,286	34,785	6,877	0.89%

Note:

(a) Projections for each year apply PAG annual growth estimates through 2045 from relevant TAZs to associated Block Groups in Esri.

Sources: PAG 2019; ESRI Business Analyst, 2020; BAE, 2020.

Because there are placemaking activities and new investments occurring in the Target Area that may not have been captured in earlier projections, this analysis evaluates the potential household growth that the Target Area could capture from the larger CMA. This analysis considers the CMA as the competitive subregion for Thrive in the 05 and evaluates potential

household growth based on the potential of the Target Area to capture an increasing share of development from the larger subregion.

PAG projects the larger subregion to absorb 2,571 households by 2030, of which Thrive in the 05 is expected to capture 440 households, or 17.1 percent (Table 27).

**Table 27: Thrive in the 05 Household Capture Rate**

	<b>2020 HH (#)</b>	<b>2030 HH (#)</b>	<b>Total Increase HH (#)</b>
<i>Regional Growth Projections - 10 year (a)</i>			
Thrive in the 05 HH Growth	4,979	5,419	440
Competitive Market Area HH Growth	27,908	30,479	2,571
<b>Thrive in the 05 Capture Rate</b>	<b>17.1%</b>		

Notes:

(a) Based on forecast annual household growth rates of 0.85 percent for Thrive in the 05, and 0.89 percent for Competitive Market Area (both PAG 2019-2045).

Sources: PAG, 2019; Esri, 2020; BAE, 2020.

Under an “accelerated” scenario, the Target Area could capture up to 25 percent of new subregion households, or 643 new households between 2020 and 2030. Under a “high range” scenario, where the Target Area is able to capture 30 percent of total subregion growth, the area could capture up to 771 new households (Table 28).

**Table 28: Household Growth in Competitive Market Area Geography**

	<b>Capture Rate (%)</b>	<b>New HH (#)</b>	<b>Total HH (#)</b>	<b>Annual Growth Rate (%)</b>
Thrive in the 05 Capture Rate - Baseline	17.1%	440	5,419	0.85%
Thrive in the 05 Capture Rate - Accelerated (a)	25.0%	643	5,622	1.22%
Thrive in the 05 Capture Rate - High Range (b)	30.0%	771	5,750	1.45%

Notes:

(a) Assumes that over 10-year period, Thrive in the 05 captures 25.0 percent of Competitive Market Area's anticipated household growth (versus 17.1 percent).

(b) Assumes that over 10-year period, Thrive in the 05 captures 30.0 percent of Competitive Market Area's anticipated household growth (versus 17.1 percent).

Sources: PAG, 2019; Esri, 2020; BAE, 2020.

### ***Demand Projections for New Housing Units by Tenure***

The Target Area can anticipate a minimum of 440 additional households moving into the area by 2030, with as many as 771 new households moving in if suitable housing is available. In order to translate new households into housing unit demand, the following analysis evaluates

any existing market imbalances (e.g., pent up demand or absorbable vacant units) and deducts any planned and proposed development likely to come online in the interim.<sup>10</sup>

Units that are “substandard” or do not have the amenities that new residents are seeking may not be “absorbable” units. CHAS, for example, reports that about 270 households (or 121 when adjusted for the Target Area) reside in units that lack adequate plumbing or kitchen facilities. These uninhabitable units are excluded from demand calculations.

The Target Area may be able to absorb a minimum of 493 new residential units over the next decade, including 337 rental units and 156 for sale units, after accounting for absorbable vacancies.

**Table 29: Projected Housing Unit Demand (10-year), Thrive in the 05 – High Range Scenario**

<b>Projected Households: 2030 (a)</b>			<b>5,750</b>
<i>less: Households at beginning of projection period (b)</i>			<b>(4,979)</b>
<b>Household Growth: Projection Period through 2030</b>			<b>771</b>
<b>Vacancy Allowance</b>	<u>Owner</u>	<u>Renter</u>	<u>Total</u>
Tenure Percentage (c)	23.4%	76.6%	
HH Growth (New Units Needed)	<b>180</b>	<b>591</b>	
Stabilized Vacancy Rate (d)	2.0%	7.4%	
Vacancy Allowance	<b>4</b>	<b>47</b>	<b>51</b>
<b>Housing Need (minimum)</b>			<b>822</b>
<i>less: Adjustment for Absorption of Existing excess vacant units</i>			
<b>Vacancy Percentage (e)</b>	5.6%	9.1%	
<b>Vacant Units</b>	<b>(69)</b>	<b>(381)</b>	
<b>Substandard Units (f)</b>	<b>41</b>	<b>80</b>	
<b>Currently Under Construction (g)</b>	<u>0</u>	<u>0</u>	
<b>Residual Demand through 2030</b>			
(For Sale # units / For Rent # units)	<b>156</b>	<b>337</b>	

**Notes:**

- (a) Based on projections from PAG for total HH by 2030 under "High Range" scenario.
- (b) Number of households in Thrive in 05 (Esri, 2020).
- (c) Based on 2020 data from Esri.
- (d) Based on 5-year historic average in City of Tempe (1-year ACS data)
- (e) Based on 2014-18 ACS data for associated Census Tracts.
- (f) Derived from CHAS data, with adjusted geography.
- (g) Based on new dwelling units under construction as of Q3 2020 per CoStar.

Sources: ACS 2014-2018; PAG, 2019; BAE, 2020.

<sup>10</sup> Interviews with local housing developers have indicated wait lists of up to 30,000 households for covenanted affordable units. As such, Target Area affordable housing projects (e.g., Storacle Point; Gateway Apartments) that may come online over the next 3-5 years are not anticipated to impact the residual demand calculations described here.

It should also be noted that as a refurbished Tucson House or repositioning of other PHA-owned units would not be adding “net new” housing units to the Target Area, the supportable demand projections described in this section could be seen as independent of or in addition to the development program envisioned for Tucson House, and more representative of demand for new and “non-replacement” housing at one of the City-controlled opportunity sites.

## **Commercial Demand Projections – Retail**

The amount of supportable new retail development in the Target Area is estimated using data on consumer spending by local residents to project what future residents will spend. In 2020, Target Area residents spent just under \$74.5 million on retail goods, which is the basis for estimating retail spending per capita (Table 30).

To analyze supportable retail demand, consumer spending is first reduced by total spending at Motor Vehicles and Parts Dealers, as local residents do not typically patronize these businesses exclusively in the areas in which they live. Moreover, 67 percent of Food and Beverage spending, and 15 percent of “miscellaneous” spending is excluded from retail demand projections as well.<sup>11</sup> Table 30 shows that the subtotal of retail potential accounting for these exclusions is over \$54 million, which divided by the 2020 Target Area population leads to per capita spending of \$4,555.

Table 30 also shows that multiplying the per capita spending by the projected increase in residents by 2030 yields new retail demand of approximately \$7.9 million. By assuming annual retail sales of \$500 per square foot, which is a standard analytical assumption, the Target Area could potentially support approximately 16,000 additional square feet of retail development.

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<sup>11</sup> Residents do leave their neighborhoods to visit some food and beverage businesses, particularly commuters who do not work where they live. Similarly, miscellaneous and unique businesses in a city may not be dispersed evenly, forcing residents to leave their neighborhood to consume these goods and services.

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**Table 30: Supportable Square Feet of Retail Development, 2030**

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<b>Retail Potential</b>	
Total Retail Potential, 2020	\$74,493,842
Less: Motor Vehicle and Parts Dealers	(\$14,005,324)
Less: 67% of Food and Beverage Store Demand	(\$2,441,195)
Less: 15% of Miscellaneous/Other Miscellaneous Store Demand	(\$3,820,307)
Subtotal: Retail Potential	\$54,227,016
Population, 2020	11,904
<b>Total Retail Potential, per capita</b>	<b>\$4,555</b>
<b>Population Growth</b>	
Projected Population, 2030 (a)	13,657
Less: Population, 2020	11,904
<b>Net New Residents, 2020-2030</b>	<b>1,753</b>
<b>Projected New Retail Demand</b>	<b>\$7,985,548</b>
<b>Annual Sales per Square Feet</b>	<b>\$500</b>
<b>Supportable Square Feet of Retail Demand</b>	<b>15,971</b>

Notes:

(a) Assumes "high range" scenario.

Source: Esri; BAE, 2020.

## Potential Retail Uses

In general, there is a surplus of retail spending in the Target Area, although this does not imply that residents do not leave to consume retail goods and services. Some of the retail surplus is driven by the relatively high number of Motor Vehicle and Parts Dealers and related businesses. In fact, there is notably high retail leakage in General Merchandise spending.

General Merchandise typically refers to businesses that sell a variety of non-perishable goods, such as Target or Kohl's (excluding Department Stores). Dollar stores and home goods stores are also classified as General Merchandise, with no one merchandise line predominating.

New businesses in this retail category, including those located within the Tucson House itself, may help fill this gap between demand from residents for these goods and the lack of supply in the Target Area.

# STRATEGIES AND RECOMMENDATIONS

This section includes strategies and recommendations that are intended to inform the City's approach towards a Transformation Plan for the Target Area, with a particular focus on ensuring equitable housing opportunities for local residents.

The section considers potential demand for Target Area housing options, including repositioning the Tucson House, a 408-unit public housing building constructed in 1963. It also highlights best practices for repurposing scattered sites in the City's affordable housing portfolio, as well as facilitating new ground-up development at City-controlled Opportunity Sites.

It concludes with an overview of land-use and other regulatory tools that may be uniquely suited to encouraging housing security in the Target Area. These include allowing for ADUs, enhancing the use of zoning overlays, and codifying ways to mitigate potential displacement.

## Tucson House Repositioning

One vision for the Tucson House explores a mixed-income, mixed-use housing opportunity for active seniors with a potential for continuum of care options like assisted living, assuming rehabilitation of the existing building. The following are key considerations with respect to potential demand for this product type:

- Tucson House features living amenities unique to the Target Area, such as larger unit sizes and panoramic views from private patios on upper floors.
- Units at Tucson House are more spacious than their market rate counterparts across the City across all bedroom counts. The average size of a market rate senior studio was 374 square feet citywide compared to 450 square feet in Tucson House. Similarly, the average market rate senior one bedroom was 627 square feet citywide, compared to 675 square feet at Tucson House.

### *Considerations:*

- None of the market rate senior rental apartments identified by CoStar and BAE are located within the Target Area. As such, a refurbished Tucson House oriented towards seniors paying market rate would compete with units in better-performing submarkets.
- Currently, Tucson House reserves 165 parking spaces for its 408 dwelling units, equating to approximately 0.40 spaces per unit. This is a significantly lower ratio than is seen in market rate senior projects citywide, where ratios tend to exceed 1.0 parking spaces per unit.
- As of Q3 2020, vacancy rates were highest for studios in market rate senior properties citywide (8.3 percent), despite the fact that they account for five percent of overall

inventory. Studios, meanwhile, comprise approximately 41 percent of inventory at Tucson House.

As discussed earlier in the Report, asking rents per square foot for market rate properties in the Target Area are nearly identical to those Citywide (\$1.14 per square foot versus \$1.15 per square foot). However, as market rate units are typically smaller, they command lower asking rents (\$618 per month versus \$855 per month) on a per unit basis. In light of these findings, Tucson House, once renovated and brought up to market standards, could be priced according to the following ranges by bedroom count as shown in Table 31.

**Table 31: Target Rental Prices by Bedroom Count, Market Rate Senior Units in Tucson House**

<u>Bedroom Count</u>	<u>Avg. Unit Size (sf)</u> (a)	<u>Asking Rent (\$/sf)</u>		<u>Asking Rent (\$/month)</u>	
		<u>low range (b)</u>	<u>high range (c)</u>	<u>low range</u>	<u>high range</u>
Studio	450	\$1.25	\$1.51	\$561.00	\$682.00
1 bedroom	675	\$0.95	\$1.17	\$640.00	\$789.00
2 bedroom	950	\$0.75	\$0.93	\$713.00	\$883.00

Notes:

(a) Reflect existing average unit sizes by bedroom count in Tucson House.

(b) Assume Senior Market Rate command similar premium (monthly rent) as City of Tucson to Thrive in 05.

(c) Assume Market Rate Senior units command similar premium (\$/sf) as City of Tucson to Thrive in 05.

Sources: CoStar Group, 2020; BAE, 2020.

## Leverage Other HCD and City Assets

While restoring the Tucson House may be a critical component of the overall Transformation Plan, the City could also leverage existing real estate portfolio assets to encourage the development of housing that meets area-wide housing priorities, including options for replacement and “non-replacement” housing.

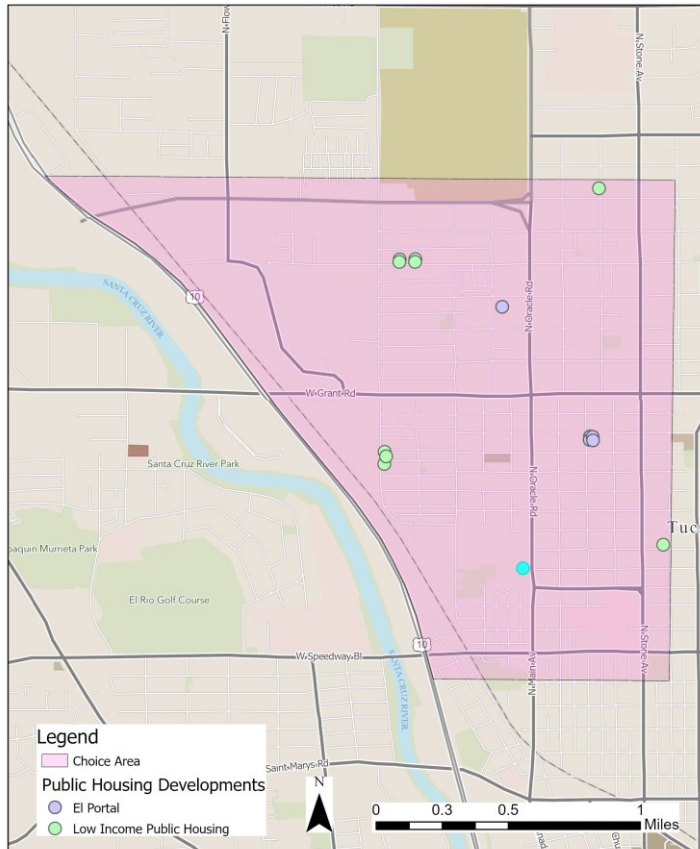
This includes existing City-owned housing units in Scattered Sites across the Target Area, as well as vacant Opportunity Sites with the potential for generating revenue from ground-up construction.

### **Scattered Sites**

HCD owns and operates 18 scattered site public housing units in the Target Area, as well as nine affordable units operated under a program called “El Portal” (Figure 14). As part of a potential repositioning strategy, the City may wish to explore options for the redevelopment and/or replacement of these sites.

**Figure 14: Map of HCD Inventory within Target Area**

**PUBLIC HOUSING INVENTORY  
IN THE CHOICE NEIGHBORHOOD**



Source: City of Tucson

While it can be a financial challenge to effectively operate these scattered sites as a PHA, the units range from two-to-four bedrooms, and fill an important niche in an area that is characterized by smaller multifamily units that are not always suitable for families with children.

A repositioning strategy for these sites could begin with an inventory and ranking of existing buildings, including occupancy type, building age, condition, and required maintenance. A subsequent cost/benefit analysis could evaluate the capital and ongoing costs of preservation versus new development, allowing the City to understand the extent to which it could utilize programs like HUD's Rental Assistance Demonstration (RAD) to renovate units versus demolishing units for a new affordable housing development that could take advantage of tax credits and other funding sources.

This could also help the City determine the appropriate sale or lease terms should they choose to engage a non-profit developer, land trust, or other entity in an effort to maintain the rehabilitated units as permanently affordable housing.

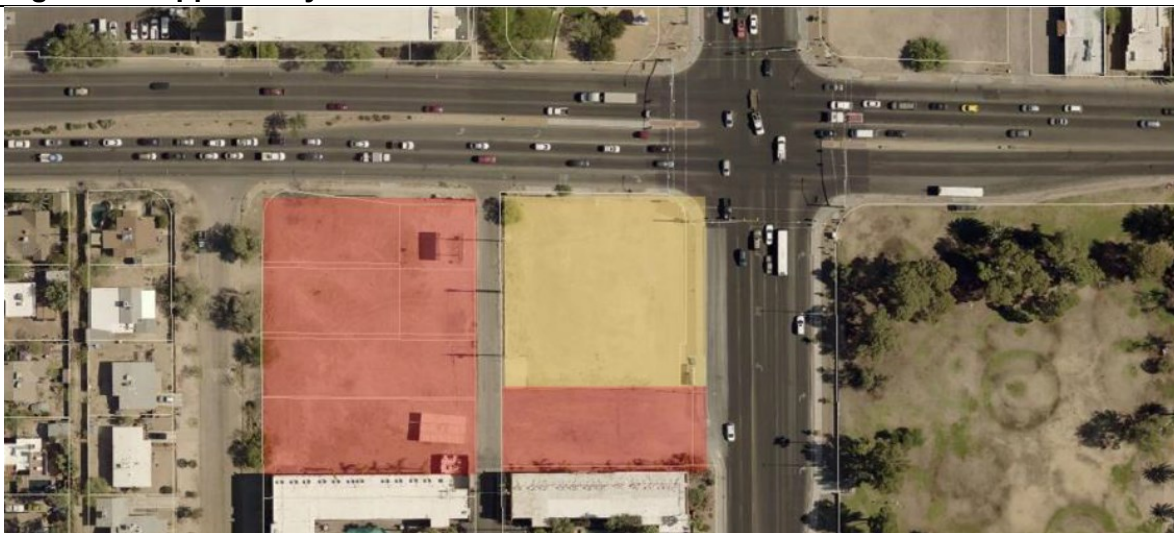
Interviews with local affordable housing developers indicate that “light” rehabilitations can cost from \$30,000 to \$40,000 per door, while more significant rehabs requiring a strip down to framing can cost upwards of \$120,000 per door. New construction would be the most expensive at approximately \$160,000 per door, not including any required demolition of existing buildings.

### ***Opportunity Sites***

BAE also analyzed Opportunity Sites within the Target Area to assess the extent to which parcels under City control might be viable candidates for a development with a market rate and/or mixed-income component, as well as for general occupancy by families.

Target sites with a market rate component are most likely to be feasible when sited adjacent to amenities such as job centers or major educational facilities. Such city-controlled sites include a parcel at the southwest corner of Stone Avenue and Speedway Boulevard (1039 N Stone Avenue), directly across the street from the Pima County College downtown campus (Figure 15).

**Figure 15: Opportunity Site at 1039 N Stone Avenue**

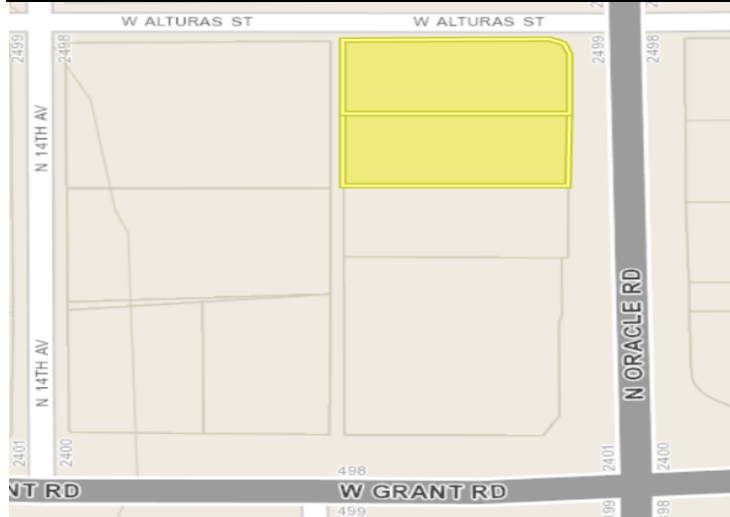


Sources: City of Tucson, 2020.

Interviews with local housing developers indicate that vacant, shovel-ready sites are becoming harder to find. An analysis of the combined Stone and Speedway site’s zoning suggests the combined site can support up to 100 units of market rate rental housing, 60 units of affordable rental, and 10,000 square feet of commercial on the first level.

Another potential Opportunity Site exists at the intersection of Oracle Road and Alturas Street—approximately one block from the proposed High-Capacity Transit (HCT) route. Composed of a former motor court to the north end of the site and a vacant parcel to the south, the site was purchased by HCD in early 2020 and is currently being considered for a range of potential uses.

**Figure 16: Opportunity Site at Oracle Road and Alturas Street**



Sources: City of Tucson, 2020.

One scenario would include supportive senior housing in a rehabilitated motor court, paired with new, ground-up mixed-income senior housing on the vacant parcel. A second scenario would repurpose the motor court into artist studios, with the vacant parcel to be set aside for new construction.

*Considerations for Market Rate Development and/or Ground Lease:*

- Since 2010, 409 market rate units have been constructed in the Competitive Market Area, with the majority of units located in Downtown Tucson.
- While new market rate multifamily projects are indeed being built as far west as Stone Avenue, market rate development activity has yet to emerge as far north as Speedway Boulevard.
- New market rate multifamily units are considerably more spacious than existing market rate product in the Target Area. Across all bedroom counts, new multifamily units in the CMA average 847 square feet (Table 32), which is 55 percent larger than in the Target Area's 547 square feet.
- On a per square-foot basis, the spread between rents in the Target Area and newer market rate comparables in the CMA are lowest for studios (\$1.44 per square foot versus \$1.77 per square foot). A much higher spread emerges for one-bedrooms, which command \$2.07 per square foot for market rate comparables but only \$1.19 per square foot in the Target Area.

**Table 32: Market Rate Comparables, Competitive Market Area, Q3 2020**

<b>Multifamily Summary</b>	<b>Studio</b>	<b>1BR</b>	<b>2 BR</b>	<b>All Unit Types</b>
<b>Inventory (units), Q3 2020</b>	106	120	130	<b>409</b>
<b>Inventory Share (%)</b>	26%	29%	32%	100%
Vacancy Rate	1.9%	18.6% (a)	26.4% (a)	15.6%
<b>Average Inventory Size, Q3 2020 (sf)</b>	<b>450</b>	<b>726</b>	<b>1,087</b>	<b>847</b>
<b>Avg. Asking Rents, Q3 2019 - Q3 2020</b>				
Average Asking Rent, Q3 2019	\$745	\$1,392	\$2,108	\$1,685
Average Asking Rent, Q3 2020	\$795	\$1,415	\$2,150	\$1,716
% Change Q3 2019 - Q3 2020	6.7%	1.7%	2.0%	1.8%
<b>Average Asking Rent per sf, Q3 2020</b>	<b>\$1.77</b>	<b>\$2.07</b>	<b>\$1.99</b>	<b>\$1.96</b>

Notes:

(a) High vacancy rates for one and two-bedroom units reflect recent opening of the RendezVous Urban Flats at 20 S Stone.

Sources: CoStar Group, 2020; BAE, 2020.

One possible development program for a market rate component at this target site might include smaller unit sizes than those shown in Table 33 to better align with existing product in the Target Area. Asking rents on a per square foot basis, meanwhile, could be discounted by anywhere from 25 to 30 percent, a similar rate as described in the spread between studios, but less than the spread for one and two bedrooms assuming improved market conditions over time.

**Table 33: Target Unit Sizes and Rental Prices by Bedroom Count, Market Rate Senior Units in Target Area**

<b>Bedroom Count</b>	<b>Avg. Unit Size (sf) (a)</b>	<b>Asking Rent (\$/sf)</b>		<b>Asking Rent (\$/month)</b>	
		<b>low range</b>	<b>high range</b>	<b>low range</b>	<b>high range</b>
Studio	404	\$1.44	\$1.77	\$582.00	\$715.00
1 bedroom	616	\$1.45	\$1.60	\$892.00	\$983.00
2 bedroom	954	\$1.39	\$1.53	\$1,329.00	\$1,463.00

Notes:

(a) Reflect the average of market rate unit sizes in the Target Area and CMA comparables.

Sources: CoStar Group, 2020; BAE, 2020.

## **Establish a Real Estate Acquisition Strategy**

In addition to leveraging existing real estate assets, the City may also wish to undertake an established acquisition strategy for additional sites not currently under City control. An established acquisition strategy, in contrast to a series of “one-off” negotiations, allows the City to be more nimble and able to compete for available sites, while reducing the ability of any one landowner to charge inflated prices for acquisition.

In general, sites suitable for potential acquisition include those adjacent to sites already owned by the City, underutilized sites that are not generating significant revenues to property owners, and/or sites containing nuisance uses. Sites located adjacent to City-owned sites are desirable as they can be assembled with the City sites. Larger sites provide flexibility to accommodate a range of uses and can take advantage of their sizes to utilize less expensive parking treatments and/or contribute community benefits in the form of open space or other amenities. Property-owners who have site that are underutilized, whether containing no improvements or vacant improvements can be desirable because owners may be motivated to sell those sites. However, the City should notice whether any vacant parcels are being used for parking or other uses that seem to underutilize the site, but which actually generate often significant revenues. Finally, the City can acquire property and remove nuisance uses from the area through the strategic purchase of these sites. Again, purchases of nuisance sites may be expensive if the existing uses generate significant income to property owners.

When undertaking an acquisition strategy, evaluating the total cost of each site will be critical. Although some sites may have relatively small price tags and/or locations adjacent to other City property, they could require significant investments in environmental remediation, making any new development infeasible. A list of best practices for establishing a Citywide Acquisition Strategy is located in the Appendix.

## **Implement New Tools and Guidelines**

Zoning is another lever the City can use to encourage housing production across the income spectrum. Arizona state law prohibits jurisdictions from mandating that affordable units be included in new housing developments. Incentive districts such as the Infill Incentive District, however, can create “voluntary” density bonuses for housing projects that include affordable or special needs housing.

Such a district could also include safeguards to prevent direct displacement, just as it regulates the demolition of structures considered historic.

### ***Encourage Affordable Dwelling Units (ADUs)***

One additional strategy for expanding the range of housing options within the Target Area may be to implement a code amendment to allow ADUs in some form on all residential zones, along with technical assistance and possible incentives to build ADUs. This could either generate income for the homeowner or provide multigenerational housing for a family.

In the AARP's 2018 Home and Community Preferences Survey, which is based on a representative sample of adults nationwide, one-third of respondents reported they would consider constructing an ADU on their property. Among those interested in building an ADU, the most common motivation was to provide space for a loved one who needs care. Far fewer respondents reported that generating rental income or increasing the value of their property were major motivations for building an ADU.

This may encourage multi-generational living arrangements, particularly for residents living in the Target Area's lower density residential zones.

### ***Address Displacement Concerns***

Cost-burdened renters comprise nearly 40 percent of households in the Target Area according to 2013-2017 CHAS data, with one-in-five (20 percent) renter households paying more than 50 percent of their incomes toward housing costs. These households are particularly vulnerable to displacement from moderate rent increases or unanticipated household expenses. On the owner side, over ten percent of owner households spend more than half their incomes on housing expenses. Some of these households may be at risk of foreclosure.

For built-out cities such as Tucson, the construction of new, higher density housing can potentially displace existing residents via demolition of units that may be already be "naturally affordable". When these displaced residents are forced to pay more for housing elsewhere, citywide cost burdens can be exacerbated even further.

An **Affordable Housing Impact Statement**, similar to that used by the City of Tempe, could be a straightforward ministerial tool that the City uses to officially document any potential loss of housing units that arise from activity within the Target Area.

To this end, the implementation of an Affordable Housing Impact Statement on new development projects can help alert policy-makers to the potential loss or gain of existing affordable units, as well as provide real-time, up-to-date data that can be periodically reviewed to quantify any deficit that can be recaptured. The intended benefits of an AHIS policy include:

- Elevating the visibility of housing affordability in the public discourse by ensuring it is "part of the conversation" when discussing land use policies and projects;
- Informing city decisions with accurate, real-time data about project impacts on housing;
- Helping cities track changes to the housing supply and measure the efficacy of housing initiatives; and
- Providing data that could make jurisdictions more competitive in applications for funding.

# APPENDIX: ACQUISITION STRATEGY BEST PRACTICES

Evaluate best practices for site acquisition including forming a team representing various departments. The team should include real estate professionals. Land planners and architects on staff to perform preliminary evaluations and feasibility studies.

## ***Strategy 1: Determine site criteria***

Maintain a database of site sizes, locations, and key criteria needed for city facilities and initiatives.

## ***Strategy 2: Evaluate potential for co-location***

As sites become available, evaluate potential to co-locate uses in order to optimize acquisition expenditures.

## ***Strategy 3: Form core City team***

Form a core City team of members from relevant departments (legal, real estate, utilities, planning, housing, etc.) that can quickly assess a potential site for access, suitability, environmental conditions, encumbrances, etc.

## ***Strategy 4: Identify funding sources***

Establish an approved budget for property acquisition as soon as possible, and identify any other funding sources that may be available on an ongoing basis in order to minimize delays when sites become available.

Any actions that the City can take to minimize delays related to obtaining Council approval or engaging other City staff will make the City more competitive in the marketplace.

## ***Strategy 5: Identify underutilized sites***

Conduct an analysis of underutilized sites in key locations (per Strategy 1) to determine whether any owners might be willing to sell unlisted sites. This may be a preferred manner for acquiring sites in order to avoid competing with private buyers. However, it will require additional strategies to keep sellers from inflating the price above market rates.

Optimal sites generally have the following characteristics:

- Single owner;
- Not generating income for owners; and
- Either undeveloped or contain functionally obsolete buildings.

Sites that will be more difficult to acquire can include the following:

- Sites with multiple land owners; and
- Sites that generate income.
  - Surface parking lots
  - Motels

***Strategy 6: Continue and expand relationships with brokers to assist with identifying listed sites***

Create and/or continue relationships with brokers to assist in acquiring sites listed for sale.

This could include the following:

- Securing a bench of brokers able to represent the City in a transaction;
- Asking brokers to proactively find sites for rent or purchase;
- Allowing the broker to contact potential property owners; and
- Allowing brokers to negotiate on the City's behalf.

***Strategy 7: Continue and expand subscriptions to listing services***

Co-star, Loopnet, and other online tools provide alerts when sites that meet criteria become available for sale. The City's Real Property staff actively watches for sites that become available.